

Regulatory risk culture in the financial sector

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PREFACE

This mini-dissertation is the final deliverable in the Centre for Applied Risk Management (UARM)'s taught master's degree programme. The mini-dissertation was written in article format and consists of three sections: Research project overview, Article and Reflection.

This mini-dissertation is the student's work. The student was responsible for the final concept, set up, execution of the research project and writing of the mini-dissertation. The members of the supervisory team contributed in an advisory and technical support capacity on study conception and design, analysis and interpretation of data and critical revision of the manuscript. The mini-dissertation was language edited before submission.

The main study supervisor gave the student permission to submit this mini-dissertation for examination.

ABSTRACT

Note: Article abstract will be inserted here in the final post-examination version of the mini-dissertation. See abstract in article for examination purposes.

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RESEARCH PROJECT OVERVIEW

Project background

Trust internationally forms a vital role in the relationship between the public and the financial industry. I believe that customers, for the most part, will not do business with an organisation that they do not trust. Based on this belief, I decided to study regulatory risk culture within the financial sector, because poor risk culture in this sector was identified by regulators as one of the main reasons for the 2008 global financial crisis. This financial crisis and the findings as to its causes eroded public trust in the financial sector.

Regulators primarily use legislation to influence risk culture changes within financial organisations. In my role as a Compliance Officer, I have observed that these regulatory changes are geared to perform the dual role of improving financial industry practices and increasing public trust in this sector. It is my view, therefore, that the way in which a company adheres to the letter and spirit of the legislative framework in which it operates provides meaningful insight into the regulatory risk culture of that organisation. However, I believe that companies could still be unaware of how to detect and respond appropriately to deficiencies in their regulatory risk culture. In addition, I hold the premise that most financial companies do not sufficiently understand the link between their practices and their regulatory risk culture, and the effect that these practices have on their overall risk management efforts.

This situation is worrying because increased global legislation relating to the financial sector leads to greater risk of reputational and financial damage for organisations found to be non-compliant with their legislative requirements. It is therefore becoming more pertinent for companies to understand their regulatory risk culture and the internal and external factors that could influence this culture. In this research article, I focus on the challenges and benefits of assessing the regulatory risk culture of a financial organisation. My added goal in conducting this study was to identify criteria that could be useful for assessing the regulatory risk culture in the financial sector. I believe that this work is important because an organisation that understands its regulatory risk culture and the associated challenges can reduce the probability of fines and possibly introduce better and fairer products into the market (the latter being a key focus of the regulator), thereby raising its customer trust levels.

It is my view that organisations that do not have a well-founded grasp of their regulatory risk culture and how to improve it face the risk of going down a similar path as the one that led to the 2008 financial crisis. Considering the above, I was surprised by the limited published academic

articles on challenges, benefits and proposed improvements to regulatory risk culture in financial services organisations. This research paper seeks to address this gap and to encourage further study on this subject by academics, regulators and the financial industry itself.

Purpose of the study

This study aimed to investigate regulatory risk management practices in a financial organisation to identify criteria that could form the basis for assessing regulatory risk culture. To achieve this, I asked questions that would assist in assessing the benefits and challenges of implementing regulatory risk management principles in business practices; identified criteria useful for assessing regulatory risk management culture; and found possible areas where regulatory risk management culture could be improved.

The company selected for this study is listed on the Johannesburg Stock Exchange. The organisation employs over 40 000 staff in South Africa and on the rest of the African continent. In the limited period available for this study, combined with the resource-intensive interview-based method used, I obtained initial indicators from my sample of this company's employees for criteria that could be used to assess regulatory risk culture. As an extension to this research, I plan to build on this work with a survey-based confirmatory study in a future research project.

Justification for selected journal

The journal selected for this research report is *Corporate Governance: An International Review (CGIR)*. First, using the North-West University website, I verified that the *CGIR* appears on the international Scopus, ISI and IBSS indexed lists. This is a highly regarded international journal focused on publishing research that contributes to making 'stakeholders accountable for acting responsibly with regard to the protection, generation, and distribution of wealth invested in the firm' (*Corporate Governance: An International Review*, 2017). I believe that this journal's objectives are aligned with the aims of financial industry regulators seeking responsible and fair conduct from the financial sector. In addition, *CGIR* seeks to publish work from a wide spectrum of viewpoints that contribute to broader corporate governance discourse. I believe that my study may contribute to this body of knowledge, as it seeks to assist boards of directors of financial institutions and regulators to identify criteria for assessing regulatory risk culture. In 2016, this journal achieved an impact factor of 3.571. In addition, it was ranked in the top one-third of journals (that is, 28th of 194 journals in its field). Although this journal publishes more robust material than is reported in my current article, my study will be strengthened by a further survey-based confirmatory study before it is submitted for publication. This additional study will be conducted after completion of this mini-dissertation using a quantitative survey and a larger sample in the

organisation selected for this initial research. The survey will investigate the validity of the results of this interview-based study and strengthen the academic contribution of my work. The ultimate choice of journal to which to submit the final study will be made at the end of the additional research project.

ARTICLE

Regulatory Risk Culture in the Financial Sector

1. Abstract

Research Question/Issue:

It is mandatory for financial sector organisations to adhere to applicable regulatory requirements. Regulators identified poor financial industry risk culture practices as a key reason for the 2008 financial crisis. This has led to increased regulatory scrutiny of financial sector risk culture. However, few academic studies on regulatory risk culture have thus far been published. In addition, there is sparse guidance to corporations to better understand and implement the sector's regulatory requirements; assess regulatory risk cultures; and build and maintain a risk culture that actively incorporates regulatory risk requirements. The aim of this study was to investigate and propose criteria that could be used to assess regulatory risk culture in organisations.

Research Findings/Insights:

Twenty interviews were conducted with stakeholders in a financial organisation in the banking sector. Half of the participants were business stakeholders affected by regulatory risk; the other half were regulatory risk practitioners. An initial code set was created using the risk culture indicators of the Financial Stability Board (FSB). The interviews were transcribed and coded to identify criteria that may be useful to assess regulatory risk culture. Based on the interview data, additional criteria were added during coding. In addition, the responses of the two groups were compared to understand their experiences of regulatory risk culture. The meaning derived from the results of this study is that organisations can identify factors to assess and improve their regulatory risk cultures.

Theoretical / Academic Implications:

This study provides a starting point for further academic work in the field of regulatory risk culture. In addition to identifying possible risk culture assessment criteria, participants' views also provided insights into possible inadequacies related to regulatory risk practice in the organisation. Respondents provided suggestions for responding to these deficiencies. The findings indicate that banking organisations could introduce practical interventions to improve and influence their regulatory risk culture.

Practitioner/Policy Implications:

These results are expected to be useful to regulators and financial sector organisations to inform regulatory risk culture improvement initiatives.

Keywords: Risk Culture, Regulators, Regulatory Risk Culture, Regulatory Risk Managers, Business Managers, Financial Industry

2. Introduction

Financial services organisations depend on the public's trust that their savings and investments are in safe hands. During the 2008 financial crisis, however, deficient industry practices eroded customer confidence in the sector (Power, Ashby, & Palermo, 2013, p. 74). With regulators attributing the crisis to issues related to poor risk culture, there has been increased regulatory scrutiny of risk culture in the international financial industry. Financial regulators have therefore been intensifying their efforts to ensure industry compliance to prescribed regulatory requirements (FSB, 2014; Sheedy, Griffin, & Barbour, 2017).

A current key aim of regulators is to improve the risk culture of organisations (DNB, 2015; Sheedy et al., 2017). Accordingly, in response to legislation, organisations have enhanced their regulatory risk management functions to better manage their regulatory risks through factors such as increased staff numbers and training. Business stakeholders are charged with managing regulatory risk and reporting regulatory risk concerns and breaches to regulators with the support of their designated regulatory risk managers. Inadequate responses to regulations negatively affect an organisation by leaving it exposed to regulatory risk-related events such as fines (FSB, 2017, p. 1). Yet there is inadequate guidance to organisations on the meaning of risk culture and how to assess it (Power et al., 2013, p. 76). Without clear guidelines, companies may develop ineffective measures to mitigate the risks associated with non-compliance to legislation (DNB, 2015).

As little information is available in the academic literature on regulatory risk culture, the present study was conducted in a financial organisation with the aim to add value to this field by contributing to the wider understanding of regulatory risk culture. The main purpose of this study was to investigate regulatory risk management practices in a financial organisation so as to identify criteria that could form the basis for assessing regulatory risk culture.

The following research questions guided this study:

- What are the benefits and challenges of implementing regulatory risk management principles into business practices?
- What criteria can be extracted for use in assessing regulatory risk management culture?
- How can regulatory risk management culture be improved?

To answer these questions, interviews were conducted with regulatory risk practitioners and business stakeholders in the selected financial organisation. The aim of the interviews was to obtain information useful for this study, based on the participants' experiences of regulatory risk in the banking sector. This information was subsequently used to identify general regulatory risk culture indicators to provide a potential starting point for improving the regulatory risk culture of financial organisations.

The next section of this paper summarises the background to this study. This is followed by the study method, research findings, the conclusions identified, research limitations and suggestions for further research.

3. Background

This study included a review of the academic literature on organisational culture, risk culture, regulatory risk culture, and the importance of understanding culture-related influences on the organisation. The roles that organisational stakeholders play in organisational, risk and regulatory risk culture were also considered. For example, supervisory regulators as external stakeholders, influence the regulatory risk culture of an organisation. The organisation's regulatory risk managers, chief risk officers, chief compliance officers and executive, senior and middle managers are internal stakeholders. Factors influencing risk culture such as an organisation's sub-cultures and the organisation's incentivisation mechanisms were also investigated as part of this study.

3.1 Organisational culture

An organisation's culture can influence its risk appetite and increase the types of risk within the company (Li, Griffin, Yue, & Zhao, 2013). Schein defines the culture of an organisation as 'a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems' (Schein, 2010, p. 18). Schein (2009) argues that organisational culture

'matters because cultural elements determine strategy, goals and modes of operating'. It is therefore vital for organisations to understand their organisational culture. Further, Schein (2009) argues that culture matters because 'it is a powerful, tacit, and often unconscious set of forces' that influences how organisational groups perceive, think about and value aspects of organisational culture. As cultural factors are related to unconscious influences on employee behaviour, it is imperative for organisations to find ways to comprehend their organisational cultures. While Schein argues that organisational culture is powerful, he concludes that poor organisational culture happens unintentionally. He also rejects the view of a 'right' or correct culture and argues that there is no best or right culture, but that organisations should rather pursue the cultures that assist them in meeting their strategic objectives. However, in the case of the 2008 financial crisis, one could possibly attribute poor risk culture to the single-minded pursuit of an organisation's strategic objectives in that some strategic objectives focus primarily on financial gains. Such resolutely financial corporate objectives often come at the cost of the sustainability of the organisation and the landscape in which these companies conduct their business. My view is that organisations should rather seek to better understand the letter and spirit of the regulatory environments within which they operate, and adjust their strategic objectives accordingly while providing shareholder value. In the context of the above, shareholders include investors, staff, the physical environment and the communities in which these businesses operate.

Organisational culture and risk culture co-exist and influence each other in the financial sector (FSB, 2017; Ring, Bryce, McKinney, & Webb, 2016). Therefore, an organisation can expect that increased understanding and improvement of its regulatory risk culture will improve the organisation's risk management culture with positive effect on the overall organisational culture.

3.2 Risk Culture

The term 'risk culture' appeared for the first time in the academic literature in 1998 when Bozeman and Kingsley compared the risk cultures of public and private organisations (Bozeman & Kingsley, 1998). However, the term has not yet been clearly defined in regulatory or academic papers. A decision-specific definition of risk culture is used in this study: 'The risk culture of an organisational group is manifested by the importance given to consideration of risk when the group makes decisions. The level of explicit inclusion of risk in decision-making represents the implicit, subjective value afforded to risk by the group' (Zaaiman, H, personal communication).

Regulations and guidelines, such as the King Codes of Corporate Governance, have raised awareness of the importance of risk culture management and company conduct (IODSA, 2016). However, current regulatory guidance to boards and management on how to assess risk culture and satisfy their requirements tends to be too high-level to allow for in-depth understanding of risk culture-related challenges and how to address them.

3.3 Regulatory risk culture

To date, regulators, advisors and academics have tended to focus more on the broader concept of risk culture than on detailed aspects of it, such as regulatory risk culture. International institutions such as the Financial Stability Board (FSB) have provided guidance on risk culture and the importance for organisations to adopt the appropriate culture. A sound regulatory risk culture is expected to assist in creating the balance between the organisational need to achieve profits on the one hand and meeting regulatory requirements on the other (DNB, 2015; FSB, 2014). It has therefore become imperative for organisations to understand their regulatory risk cultures and the impact thereof on their companies. However, little could be found in published scholarly articles on regulatory risk, and even less on regulatory risk culture. Academic guidance on how organisations can assess their current regulatory risk culture, and thereby assist with the improvement of risk culture, can therefore be expected to make a valuable contribution to this topic.

Ongoing corporate malpractice triggered the tightening of existing laws and the passing of legislation that focuses more strongly on the conduct of organisations. Tougher measures by the regulator add to the risks faced by organisations, especially since some regulatory contraventions could result in prison sentences for directors and executives found to have knowingly or wilfully contravened the law.

Business focus on regulatory risk culture is therefore essential as uncertainty about a firm's regulatory risk culture may be an organisational blind spot, resulting in undue risk exposure (FSB, 2014). For example, a recent media report exposed investigations by the South African Competition Commission against banks for regulatory breaches, including instances of collusion (Fin24, 2017). Lack of knowledge about the organisation's regulatory risk culture could mean inadequate awareness about the challenges it faces. If not managed effectively, culture-related factors can hinder organisational strategy as predicted by Schein (2009). Therefore, if boards and senior managers are unaware of the regulatory risk cultures of their firms and the associated risks to which their firms are exposed, this could inadvertently have financial and reputational repercussions (Barton & MacArthur, 2015).

Expected benefits to organisations in pursuing and attaining a healthy regulatory risk culture include proactively identifying and mitigating risks, protecting their brands, rebuilding trust and unlocking new growth opportunities. Clearly identifying the main stakeholders associated with regulatory risk culture is key to understanding their roles, their influence and their importance in the regulatory risk culture assessment and improvement process. Such stakeholders are introduced now.

3.4 External stakeholders

3.4.1 Regulators

Regulators are responsible for legislation to change corporate behaviour and to protect the integrity of the financial industry and the countries in which corporations operate. An additional objective of regulators is to positively influence internal organisational attitudes and behaviours towards their relevant regulatory requirements. For example, the regulatory focus on fair treatment of customers caused regulators to assess the incentive structures of organisations to determine whether some incentives may be influencing staff and management to adopt poor customer practices (Ring et al., 2016). Regulators in the UK have emphasised that organisations need to place the principle of treating customers fairly (TCF) at the centre of the conduct of the financial sector. The UK and US regulators have issued fines in an attempt to change the behaviour and culture of organisations that were not transacting with customers' best interests at heart (Ring et al., 2016). Therefore, regulators play a vital role in influencing the regulatory risk culture of financial sector organisations, primarily through legislation.

3.5 Internal stakeholders

3.5.1 The Board and Executive Management

Boards of directors and executive managers play a vital role in understanding and transforming the regulatory risk culture of their organisations to adhere to applicable regulatory frameworks. Further, regulators have increasingly focused on assessing the effectiveness of the board in managing the culture of an organisation (DNB, 2015, p. 18). In addition, regulators understand that a sound risk culture cannot be influenced by legislation alone (APRA, 2016). Boards of directors, CEOs and senior management teams play key roles in shaping the regulatory risk culture of organisations (APRA, 2016). Regulators have identified that sub-standard boards and executive management teams could result in poor practices in their organisations (DNB, 2015, p. 14). Thus, these leaders need to have a firmer grasp of poor organisational communication and other practices that, if left unattended, can create a culture leading to low levels of

legislative compliance. To assess and manage this risk, boards and executive managers could request their organisations to develop and provide regulatory risk culture-related metrics or information.

3.5.2 Chief Risk Officers and Chief Compliance Officers

Chief Risk Officers have started occupying a seat at the boardroom table, although not yet to the same degree in all countries (FSB, 2013). Inadequate representation of these key risk executives at the highest management levels in organisations can be expected to hinder efforts to influence regulatory risk culture. For example, the exclusion of the CCO (Chief Compliance Officer) from the boardroom has been recognised as an indicator of poor regulatory risk culture in the organisation (Barton & MacArthur, 2015). An independent compliance function, whose voice is heard at the highest decision-making level, is also seen to be vital to effective risk management of organisations (FSB, 2017).

3.5.3 Risk practitioners: Regulatory risk managers

Regulatory risk managers are tasked with working with business to understand and mitigate their regulatory risks. Risk practitioners were therefore expected to provide valuable information on their experiences of the regulatory culture in a financial organisation in my study. These practitioners play a role in understanding the regulatory framework in which the business operates. They also need to understand the business to give appropriate advice to business units in their organisations. Their skillsets and experience are key to achieving success when advising business on regulatory risk. However, risk managers often feel that they do not have the support required to drive risk management principles within the organisation (Palermo, Power, & Ashby, 2017).

3.5.4 Business stakeholders: Business senior and middle management

Although risk practitioners are also stakeholders in the success of the business, the term business stakeholder was narrowly used to mean business senior and middle managers in this study. Business managers influence regulatory risk culture through effective communication, providing data and support for the regulatory risk management function, adhering to the regulations, and ensuring that the regulatory risk management functions are suitably staffed and resourced. By ensuring that compliance functions have adequate resources/staffing to manage regulatory risk issues in the organisation, management contributes to greater success in transforming the risk culture to the desired state. Management also influences regulatory risk culture by the goals they set for the business. I believe that there are instances where business is aware of the risks but chooses one objective over the other, based on the performance

objectives set by senior management, the executive, the board and shareholders. Perhaps part of the problem is that regulatory objectives and business sales targets are seen by organisations as conflicting objectives instead being as part of the same goal. (Refer to the Results and discussion section of this paper for a similar sentiment highlighted by a business stakeholder.) In the pursuit of their business objectives, management should not lose sight of any of the risk factors impacting their organisation. For example, Palermo et al (2017) caution that risk factors could be ignored to drive the meeting of sales targets.

Management also needs to be aware of staff perceptions of risk and the impact of these perceptions on the organisation (Bozeman & Kingsley, 1998). For instance, staff with a poor understanding or appreciation of the regulatory risks associated with their actions may place the organisation and the customer at risk. Management sets the tone for the organisational culture and by extension the regulatory risk culture for the organisation (Faris, Gilbert, LeBlanc, Ballou, & Heitger, 2013). Where a culture change is required, management must take the time to understand which parts of the existing culture must be eliminated and which can be used to assist the change-over process (Schein, 2009). Risk culture is usually considered a softer issue in the organisation, with some departments within the organisation 'unaccustomed' to dealing with the 'softer issues' of risk, such as risk culture (Palermo et al., 2017). Such perceptions may form part of the challenge that regulatory risk managers tend to face in attempting to change the regulatory risk culture.

3.6 Factors influencing regulatory risk culture

3.6.1 FSB indicators of risk culture

Many possible factors influence the regulatory risk culture of organisations. As a starting point, the FSB risk culture indicators were used in this study as a basis to identify the factors that the interview respondents thought were relevant to regulatory risk culture (FSB, 2014). The FSB indicators are: tone from the top; accountability; effective communication and challenge; and incentives. A summary of the FSB descriptions for these indicators are provided in Table 1.

Table1: FSB factors influencing risk culture - Reference FSB (2014)

Number	Indicator name	Summarised FSB description
1	Tone from the top	Values-based: The behaviour of board and senior management must reflect the core values and expectations for the risk culture of the institution. The FSB specifically refers to board and senior management roles and responsibilities here. They are required to:
1.1	Leading by example	<ol style="list-style-type: none"> 1. Provide, systematically monitor and assess a clear view of the risk culture to which they aspire. 2. Promote through behaviours, actions and words, a risk culture that expects integrity and a sound approach to risk management. 3. Promote an open exchange of views, challenge and debate on risk culture-related issues. 4. Ensure that all directors have the tools, resources and information to carry out their roles effectively, particularly their challenge function. 5. Establish, monitor, and adhere to, an effective risk appetite framework that underpin the financial institution's risk management strategy, and is integrated with the overall business strategy. 6. Ensure that decision-making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the institution. 7. Be subject to the same expectations for integrity, risk governance, and risk culture as all other employees; that is, mechanisms are in place to subject them to incentive structures, which may include impacts on compensation, role and responsibilities, or termination.
1.2	Assessing espoused values	<ol style="list-style-type: none"> 1. Assess whether the espoused values are communicated and proactively promoted by management and staff at all levels. 2. Assess whether the institution's risk appetite framework and business strategy are clearly understood and embraced by management and relevant staff, and effectively embedded in the decision-making and operations of the business.
1.3	Ensuring common understanding and awareness of risk	<ol style="list-style-type: none"> 1. Ensure the organisation's risk appetite, risk management strategy, and business strategy are effectively aligned and embedded in decision-making and operations. 2. Be clear on which business lines pose the greatest challenges in the management of risk. 3. Systematically monitor how promptly and effectively issues raised by the board, supervisors, and all control functions are addressed by management.
1.4	Learning from past experiences	<ol style="list-style-type: none"> 1. Review deficiencies in risk management, either in respect of its design, setup or implementation at the appropriate levels of the institution, with a view to identifying the root causes of these deficiencies. 2. Assess and communicate lessons learnt from past events - failures and successes - as an opportunity to enhance the institution's risk culture.

Number	Indicator name	Summarised FSB description
2	Accountability	Relevant employees at all levels understand the core values of the institution and its approach to risk, their prescribed roles, and are aware that they are held accountable for their actions.
2.1	Ownership of risk	1 Clear expectations set for the monitoring and reporting of, current and emerging risk information across the institution. 2 Mechanisms are in place for the sharing of information on emerging, as well as low probability, high impact risks. 3 The chief executive officer, senior management and employees throughout the institution, are held accountable for their actions.
2.2	Escalation process	1 Appropriate escalation processes are established to support risk management and clear consequences for non-compliance. 2 Systematic assessments are conducted on whether employees are aware of escalation processes. 3. Mechanisms are established for employees to elevate and report concerns. 4 Appropriate whistleblowing procedures are in place.
2.3	Clear consequences	1 Consequences are clearly established, articulated and applied for anyone engaged in, or supporting, risk-taking that is excessive relative to the financial institution's risk appetite statement. 2 Breaches in internal policies, procedures and risk limits, as well as non-adherence to internal codes of conduct, are understood to have a potential impact on an individual's compensation and responsibilities, can affect career progression and, depending on severity, may result in termination.
3	Effective Communication and challenge	A sound risk culture promotes an environment of open communication and effective challenge in which decision-making processes encourage a range of views.
3.1	Open to alternate views	1 Alternate views or questions from individuals and groups are encouraged, valued and respected and occur in practice. 2 Mechanisms are in place so that alternate views can be expressed in practice, as well as regular assessments of the openness to robust challenge.
3.2	Stature of control functions	1 Control functions (e.g. risk management, internal audit, compliance) share the same stature as the business lines, actively participate in committees and are proactively involved in all relevant risk decisions. 2 Control functions operate independently, have appropriate direct access to the board and senior management. 3 Control functions, including their respective representatives, have sufficient stature not only to act as advisors, but to effectively exert control tasks with respect to the institution's risk culture.
4	Incentives	Performance and talent management encourage and reinforce maintenance of the financial institution's desired risk management behaviour. Financial and nonfinancial incentives support the core values and risk culture at all levels of the institution.
4.1	Remuneration and performance	1 The compensation structure supports the institution's espoused core values and promotes sound risk-taking behaviour and is supported by a well-documented process. 2 Annual performance reviews and objectives-setting processes are linked to promoting the institution's desired core values and behaviours as well as compliance with policies and procedures. 3 Incentive compensation programs systematically include individual and group adherence to the financial institution's core values and risk culture.
4.2	Succession planning	1 Succession planning processes for key management positions include risk management experience and not only revenue-based accomplishments.

3.6.2 Group sub-cultures

Organisational sub-cultures may impact the overall regulatory risk culture of an organisation. It is prudent therefore for organisations to understand that sub-cultures affect the actions and decision of staff working within those sub-cultures. According to Schein (2009), the functioning of the organisation is heavily dependent on how the organisational sub-cultures work together and the power of sub-cultures on the practices in organisations should therefore not be underestimated. Schein (2009) argues that in some instances the influence of sub-cultures on the organisation can be as strong as, and potentially even stronger than the organisational culture itself. For example, in their study on the behaviours of traders in the financial sector, Leaver and Reader (2017) argue that trader behaviour tends to be driven by the sub-cultures of highly target-driven trading desks, which may differ from the broader culture of the organisation that employs them. Yet there is little information on how cultures or practices in the financial trading areas of business manifest in “risky and unethical behaviours” (Leaver & Reader, 2017). Leaver and Reader therefore view traders who breach regulatory principles not merely as rogue traders but often the product of the sub-cultures of the environments in which they operate. Their view is supported by the court case where Deutsche Bank was instructed to re-instate four traders found guilty of Libor and Euribor manipulations (DNB, 2015, pp. 283-284). The court alluded to Deutsche Bank having deeper organisational culture challenges which led to the regulatory breaches of these four traders (DNB, 2015, pp. 283-284).

4. Method

This was a qualitative study executed through 20 semi-structured interviews. The interview data were then thematically coded to find answers to the study’s research questions. The FSB risk culture indicators, shown in Table 1, were used as initial regulatory risk culture assessment factors. Additional factors were identified, based on the participants’ responses. Based on the different objectives of business and risk practitioner stakeholders, the views of two groups in the organisation selected for the present study – regulatory risk practitioners and business managers – were considered, in order to obtain a more complete view of regulatory risk challenges than could be obtained from only one group.

Research approval

This study was conducted in a large financial organisation. Approval for this study was obtained from the group regulatory risk management executive of the organisation in which the interviews were conducted. In addition, ethical clearance for the study was obtained from North-West University.

Data sources

The empirical material informing this study was based on an interview process over a period of 9 weeks. Ten interviews with business middle or senior managers and 10 with middle management regulatory risk practitioners were conducted. These practitioners and business stakeholders were predominantly selected from the middle management layer in the organisation due to their unique position of being closer to the ground level staff as well as because of their contribution to, and sight of, regulatory risk management reports to senior and executive management. Regulatory risk practitioners were selected based on referrals from a key member of the central regulatory risk management team responsible for interacting with regulatory risk practitioners across the group. In the selection of the business stakeholders, each of the regulatory risk practitioners was asked to provide the name of a business stakeholder served by that regulatory risk practitioner. These business stakeholders were then contacted telephonically if they lived/worked in South Africa. Staff residing outside South Africa were emailed to request their participation in the study. If they agreed, they were emailed the supporting documentation.

Table 2 provides a record of the stakeholders who took part in this study.

Table 2: Stakeholders interviewed in this study

<i>Type of actor</i>	<i>Source of data</i>
Regulatory risk practitioners representing divisions across the group	<ul style="list-style-type: none"> • Face to face interviews • Video conference interviews (where the participant was based in another country)
Business middle or senior managers (depending on the referral from the regulatory risk practitioners) across the group	<ul style="list-style-type: none"> • Face to face interviews • Video conference interviews (where the participant was based in another country)

The interview questions provided in Table 3 were designed to obtain information useful in answering the study’s research questions. After obtaining approval from the participants, the researcher sent them additional information about the study, including confirmation of approval for the study from the relevant group executive, and seven of the eight interview questions. The seven questions were distributed to the participants in advance to allow them to prepare for the interviews and to provide assurance that the study was authorised by the relevant stakeholder in the group. The eighth question was not sent in advance to the participants but was included in the interview. The reason for this was to obtain the top-of-mind response on other regulatory risk culture issue/s from the participants. This question asked the participants if they were to add an additional question to the list, what would that question would be.

The interviews were recorded, transcribed and the results thematically analysed to identify core themes. The approximate average duration of the 20 interviews was 30 minutes. The interviews commenced in the first week of June 2017 with the final interview performed mid-August 2017. The contribution of the interview questions to the research questions is summarised in the Results section of this article. Table 3 contains the list of interview questions posed to interviewees.

Table 3: Interview questions

<p>Question 1:</p> <p>Please share examples of how regulatory risk management principles are incorporated into the day to day business practices in the area in which you work? (General question)</p>
<p>Question 2:</p> <p>Which differences do you see between regulatory risk reporting to forums/committees versus the regulatory practices on the ground?</p>
<p>Question 3:</p> <p>What are the benefits of incorporating regulatory risk management principles into business practices?</p>
<p>Question 4:</p> <p>Which factors hinder incorporating regulatory risk management principles into business?</p>
<p>Question 5:</p> <p>Which changes could be introduced to make business adoption of regulatory risk management principles more effective?</p>
<p>Question 6:</p> <p>From your perspective, does the current resourcing of the regulatory risk management function impact on its ability to support business? If so, how does it impact?</p>
<p>Question 7:</p> <p>Does the reporting line of the regulatory risk management function affect its independence? If so, how?</p>
<p>Question 8:</p> <p>Which question would you add to the above question set to make it more thorough?</p>

Data analysis

The interview data were coded and thematically analysed in Microsoft Excel to investigate regulatory risk management practices in a financial organisation, and to identify criteria that could form the basis for assessing regulatory risk culture.

5. Results and Discussion

The results and findings important for this study are now discussed. First, the results linked to the FSB indicators shown in Table 1 will be discussed, then the new indicators that emerged from the interview data followed by a selection of quotations from the participants and last the discussion of the findings of this research article

Results related to the FSB indicators of risk culture

1 Tone from the top

1.1 Leading by example

Risk practitioners and business stakeholders held the view that consistency of the messages from the board and leadership of the organisation to the rest of the organisation is important in setting the tone towards the desired regulatory risk management culture. Both groups of interviewees believed that if, in practice, the financial objectives received greater emphasis from the leadership than regulatory objectives, the rest of the organisation would adopt this into their objectives and scorecards and inadvertently focus on these objectives. The onus therefore is on leadership to meaningfully include regulatory risk requirements on business scorecards along with financial objectives to encourage the behaviours necessary to influence risk culture.

1.2 Assessing espoused values

Was not mentioned by participants in this study.

1.3 Ensuring common understanding and awareness of risk

It emerged here that business needs to be more cognisant of regulatory risk objectives in setting their business objectives. On the other hand, regulatory risk managers need to better understand the business they support and the applicable legislative framework, to provide more valuable guidance to the business on the risks associated with their business pursuits.

1.4 Learning from past experiences

Regulatory risk practitioners were largely of the view that the organisation should remain mindful of past regulatory shortcomings found in their organisation or in other organisations to enhance their internal controls such that these shortcomings do not re-appear. Some business managers see the regulatory risk requirements as being for the “greater good of the organisation” and that it was important for the organisation to understand regulatory risk challenges and to learn from the mistakes of the past in a practical way that does not stifle business.

2 Accountability

2.1 Ownership of risk

Ownership of risk was seen as an important factor in assessing regulatory risk culture with business being the true owner of risks and regulatory risk managers performing a support function. A point raised by a business stakeholder was that business are sometimes aware of the risks associated with their business decisions but chose to focus more on the financial targets in their business without affording sufficient attention to the applicable regulatory requirements. Other business stakeholders and risk practitioners felt that the business needed more guidance from the regulatory risk practitioners about appropriate regulatory risk decisions.

2.2 Escalation process

Although participants felt that for the most part risks are reported, they were not convinced that all key risks are reported. Some participants were of the view that there are managers who do not disclose certain risks and silently resolve the risks without reporting them. It emerged from this study that organisations need to be clear on what is reported to which forums. Perhaps in addition managers need assurance from senior management and the board that highlighting key risks is an indicator of risk awareness and good business management and not a reflection of poor management.

2.3 Clear consequences

Although this did not emerge in this study through the questions posed to participants, consequence management is a factor that the researcher of this study considers a valuable tool to assist in driving the required behaviours and culture. Business units who wilfully transgress the regulatory requirements should be held accountable, this may serve as a deterrent to other business managers when faced with a similar situation.

3 Effective communication and challenge

3.1 Open to alternate views

Both groups of participants were in favour greater business participation in the drafting of regulatory frameworks and policies. Perhaps a more inclusive approach of seeking business input when these policies are being drafted will lead to higher levels of ownership by business and a regulatory landscape that reflects increased understanding of business requirement while ensuring adherence to the legislative requirements.

3.2 Stature of control functions

From my analysis, the perception exists that regulatory risk functions and their requirements are deemed to be secondary to the objective of meeting the bottom line (i.e. of achieving financial targets) in parts of the organisation. The direct and indirect messages communicated to staff needs to convey a consistent message of the desired and acceptable behaviour in the organisation regardless of whether a staff member s front office or back office.

4 Incentives

4.1 Remuneration and performance

Business is more incentivised through scorecards to reach financial targets than to meet regulatory requirements. One interviewee commented that if a regulatory risk requirement is not achieved, he does not feel the consequence directly because he is far removed from it. However, if he does not meet a financial target he feels it immediately. Some participants indicated that business targets and regulatory risk requirements seem to negate each other. For example, a business stakeholder highlighted the fact that the business and regulatory risk management objectives were at times misaligned:

'I think there's a quite a few factors. One is the way business people are measured. People in the front line, sales, are measured on targets and profit and revenue. And sometimes regulation can be seen to be restricting growth because you have to operate in a certain way and so I think people's measurements possibly don't incorporate enough of the regulatory compliance. And are too heavy on the profit side so you're kind of incentivising people to find creative ways to make money. And not necessarily within the regulatory principle.'

4.2 Succession planning

Was not mentioned by participants in this study.

5. New indicators of regulatory risk culture

Through this study several new factors not mentioned by the FSB emerged from the interview data and were deemed important for assessing a financial organisation’s regulatory risk culture. These factors, flagged as “new” or “adapted from the FSB”, are shown in Table 4.

Table 4: New indicators of Regulatory risk culture identified during the study

#	Indicator	Type	Description
1	Misaligned business and regulatory risk objectives (perceived or real)	New	Regulatory objectives seen to be restricting business sales targets/objectives.
2	Providing guidance to business	New	Clear guidance to be provided to business on the meaning of relevant legislation and the associated implications for the business.
3	Regulatory risk practitioners form part of the decision-making process (not engaged at or just before the point of sign-off)	New	Regulatory risk management's input into business decisions is sought after early in the business process, not merely at the point where decisions are made.
4	Regulatory risk functions are considered a value-add to business	New	Regulatory risk management is valued by the business.
5	Business acumen of the regulatory risk practitioners	New	A sound understanding by regulatory risk practitioners of the business they support is key to these practitioners offering the business the appropriate advice regarding the regulatory landscape in which the business operates.

5.3. Example quotations

Tables 5 and 6 show which response group risk practitioner (RP) or business manager (BM) mentioned aspects of regulatory risk culture related to the full set of indicators for assessing regulatory risk culture (FSB and new). Example quotations from the interviews are included in these tables.

Refer to Appendix n of this paper to view more detailed quotations.

In Table 5 – “I” refers to interview numbers (i.e. Interviews 1–20) and “Q” refers to question numbers (i.e. question numbers 1–8).

Table 5: FSB indicators including associated quotations

#	Indicator name	Example quotes	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
1	Tone from the top	Quotations		
1.1	Leading by example	<p><i>‘I’m fortunate that I saw the transition happening in this organisation and what I saw before if it didn’t come from the top. If it didn’t come from the group, the division, the powers that be, then the head of the business unit, the CEO or whatever you want to call them, if it’s not affecting their bottom line they’ve not going to give it attention. It’s just the way business is run. It doesn’t affect their bottom line. I need to focus on what affects my bottom line.’ (I6, Q2) (Risk Practitioner)</i></p> <p><i>‘It definitely comes from an executive level. So it’s, I mean I would never, I think it’s unfair to whoever is putting together the campaign and trying to get it out into the line. I would never take that sort of instruction from, gosh even from somebody on a management level saying you need to do this and you need to do it by tomorrow. ... Put something together quickly. So ja. That’s where it’s coming from.’ (I18, Q4) (Business stakeholder)</i></p>	X	X
1.2	Assessing espoused values	Was not mentioned in the interviews conducted in the organisation researched for this study.	N/a	N/a
1.3	Ensuring common understanding and awareness of risk	<p><i>‘... you have to build a partnership with your business and they forget you need to know your business. Know your business is very, very key so if you know your business you know where your weak points are and you know your maturity. Because then I’ll know they know this business unit, I need to spend more time in terms of training them, identify the risk and highlighting it to them so you have to have clear strategies and you have to know your business and you need to reach a business from a maturity perspective.’ (I1, Q5) (Risk Practitioner)</i></p> <p><i>‘I find a gap between the individuals that are mandated as regulatory risk officers. They are exceptional individuals when it comes to the risk aspects of business but there’s a gap between their abilities from a risk culture and risk perspective and understanding our business. So if you take me and you put me in a different sector which I’ve never worked in I’m not going to be able to identify risks.’ (I20, Q6) (Business stakeholder)</i></p>	X	X

#	Indicator name	Example /quotations	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
1	Tone from the top	Quotations		
1.4	Learning from past experiences	<p>'The biggest one is preventing fines or administrative sanctions which has a ripple effect, we have our penalties, your financial risk, your reputational risk, operational losses and that's the first one I would say. The second one I would say is quality improvements. That means if we have a good or effective compliance programme it enhances or prevents certain failures in business. For example, non-compliance failure so if you can have – you can implement – I wouldn't say cheaper controls but it would be cheaper to implement the control than to have a – or have a reputational loss or operational loss that is – third one, it creates efficiency. [unclear] efficient, it's a more profit driven organisation and that's what all organisations are trying for. To be more profitable as well as to be more efficient. A well-oiled machine. But it's a one, two, three, four, five, it's to create the trust in the brand and to integrate brand loyalty as well.' (I7, Q3) (Risk Practitioner)</p> <p>'...you know back in the day when we didn't have this and a lot of things got swept under the carpet and now they seem to be unveiling themselves whereas if we had the structure back then that we have now, it's very different then like I must say as much as I fight and moan with our compliance, I'm actually happy they are here, because I mean they're actually for the greater good of the organisation..' (I16, Q3) (Business stakeholder)</p>	X	X
#	Indicator name	Example /quotations	Mentioned by Risk practitioner (RP) or business manager (BM)?	
2	Accountability		RP	BM
2.1	Ownership of risk	<p>'... the compliance department for example isn't responsible to manage compliance for the bank. The people are responsible to manage compliance for the bank and that's very very important, that distinction. It is everybody's responsibility and I think it's appreciated as such so I think that's how it is incorporated into the business.' (I3, Q1) (Risk Practitioner)</p> <p>'You choose not to do it. It's a choice. Someone's making that choice knowingly. I don't think any of these were mistakes. These were choices people made to not stick to the regulation. That's where practice and regulation need to come together. More transparency I guess. (I12, Q3) (Business stakeholder)</p>	X	X
2.2	Escalation process	<p>'Once you have identified a problem, some people they keep that problem amongst themselves as an organisation. Others will disclose the problem to risk people or to compliance people or to audit people.' (I9, Q2) (Risk Practitioner)</p> <p>'...our risk guys and our compliance guys are part of all our decisions that we make. So we brought them closer and so they guide us as we're going along. So we have management meetings every month and they're sitting on the management meetings with us...' (I15, Q2) (Business stakeholder)</p>	X	X
2.3	Clear consequences	Was not mentioned in the interviews conducted in the organisation researched for this study	N/a	N/a

3	Effective Communication and challenge	Example quotes	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
3.1	Open to alternate views	<p>'So it is important that when those frameworks are discussed then I can see that within the group there is consultation and there are consultation processes and I think as businesses we need to input more into those consultations, but ja. It's really what it is. Understanding on the part of the people designing the frameworks of the businesses that they want those frameworks applied to.' (I2, Q5) (Risk Practitioner)</p> <p>'...always good when a policy is written by the group and it filters down, some policies come from a group level and all the associated organisations need to comply with that policy I think when it's a policy you can't always do it in a fun and illustrative way because it's a proper document then that you need to be able to present to a regulator. What I would suggest in a case like that is there's appropriate workshops but the workshop size is important. If you get the whole group of companies together and you've got 300 people sitting there, you're going to have individuals that are not as confident to ask a question. But if you segregate it down to the business units or the organizational structures, the different groups of companies and you've got groups of 10 or 20 people sitting there you'll get the feedback that you want. People will start challenging your policy, disagreeing with it and I think you're going to get a ground level of feedback.' (I20, Question 5) (Business stakeholder)</p>	X	X
3.2	Stature of control functions	<p>'... what I saw before if it didn't come from the top. If it didn't come from the group, the division, the powers that be, then the head of the business unit, the CEO or whatever you want to call them, if it's not affecting their bottom line they've not going to give it attention.' (I6, Q2) (Risk Practitioner)</p> <p>'...If you're having a meeting and you've got this [risk person] constantly on a horse around the negative and the worst case scenarios and it can feel like momentums broken in what you're trying to do but it's a balance. How do you have that voice in the room and it's a voice that's respected and heard and the opinion is taken into consideration'.. (I12, Q4) (Business stakeholder)</p>	X	X

4	Incentives	Example quotes	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
4.1	Remuneration and performance	<p><i>'business always has their targets and targets don't necessarily align with regulatory requirements and one of the biggest examples is we've got to reach a certain sales target every month so that you're meeting your target and if at month end you've still gotten deals that need to go through on the last day and you're still waiting for the documents from the customer, you might just push them through anyway to achieve your target... money.'</i> (I4, Q4) (Risk Practitioner)</p> <p><i>'I think there's a quite a few factors. One is the way business people are measured. People in the front line, sales are measured on targets and profit and revenue. And sometimes regulation can be seen to be restricting growth because you have to operate in a certain way and so I think people's measurements possibility don't incorporate enough of the regulatory compliance. And are too heavy on the profit side so you're kind of incentivizing people to find creative ways to make money. And not necessarily within the regulatory principle. So that's one way. Other ways could be – it's not top of mind enough. So you're never going to incorporate into decisions made on a daily basis if it's not top of mind. ...'</i> (I12, Q4) (Business stakeholder)</p>	X	X
4.2	Succession planning	Was not mentioned in the interviews conducted in the organisation researched for this study	N/a	N/a
4.3	Talent development	<i>'Most of the employees are contractors. They aren't always skilled because they have such a high staff turnover and I don't, if I was I do understand that if they don't have the same intent to push – I think compliance is out of it. We are there to not even mediate but just to assist sometimes where we can make – use our discretion for certain documents etc. to bridge that gap from a legislative or a policy perspective.'</i> (I5, Q5) (Risk Practitioner)	X	

In Table 6– “I” refers to interview numbers (i.e. Interviews 1– -20) and “Q” refers to question numbers (i.e. question numbers 1– -8).

Table 6: New indicators including associated quotes

#	New indicators	Example quotes	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
1	Misaligned business and regulatory risk objectives (perceived or real)	<p><i>'The first thing that if you are dealing with people that are not in regulatory risk management, the first thing they do is they only want to do their business. If maybe you are in a sales environment, in a sales environment what matters most is the number of sales that they put forward. Then the regulatory principles will take a back seat because the focus of the person is the sales and the targets that that person has to meet but now he has regulation to look into' (I9, Q4) (Risk practitioner)</i></p> <p><i>'...so basically if I want to implement a trade on that particular portfolio and it breaches whatever regulatory compliance is set out it will basically flag it to me initially to warn me that I'm about to make a breach and if I for example I override that. Okay that will flag to a compliance manager to basically make sure that the breaches never really get reached. Before it even gets to a point where it is reported to the regulator.' (I14, Q1) (Business stakeholder)</i></p>	X	X
2	Providing guidance to business	<p><i>'I think teaching, it should be drilled to people and we should teach them on a regular basis on their environment what regulatory principles they should be aware of and how are those regulatory principles applied in their environment and what impact will that have as the end result.' (I9, Q5) (Risk Practitioner)</i></p> <p><i>'Proper guidance. So I think from, I'm talking about group when you need to incorporate a new type of regulatory piece of, it could be legislative or whatever into your business, I find that [Central compliance team] is very far removed from that process. They give guidelines and it opens business to interpretation ... (I19, Q4) (Business stakeholder)</i></p>	X	X
3	Regulatory risk practitioners form part of the decision-making process (not engaged at/just before the point of sign-off)	<p><i>'...being a signatory or sign off in terms of whatever projects the business has so if they're running any projects, it can't just be, it can only go live or be launched once all the required persons have signed and they have to have either risk or compliance as sign off. As a compliance practitioner, I have to sign off ' (I6, Q1) (Risk Practitioner)</i></p> <p><i>'in our BU you don't see that difference I think the advantage that we have is our risk guys and our compliance guys are part of all our decisions that we make. So we brought them closer and so they guide us as we're going along. So we have management meetings every month and they're sitting on the management meetings with ..' (I15, Q2) Business stakeholder</i></p>	X	X

#	New indicators	Example quotes	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
4	Regulatory risk functions are considered a value add to business	<p>'So one must look at it as a strategic competitor differentiator, and I think that's quite important so it's about how we view it firstly. I think it's important from that perspective. You know there isn't too much negotiation around it. If one takes a look at what does it mean to be compliant, it's actually our license to operate. (I3, Q5) (Risk Practitioner)</p> <p>'I look at other areas and compliance is the one thing that's holding us down completely and unfortunately it has to be [general discussion] so compliance is supposed to be a support function and with it being a support function how much value have they really added to the business. Can they quantify the value of that, because, that's something I ask myself? The guys are always here, stop stop stop but do you know why you're stopping us? How much you actually lost us but how much have you saved us kind of thing. Can you see the benefit of what this compliance has done for us (I16, Q8) (Business stakeholder)</p>	X	X
5	Business acumen of the regulatory risk practitioners	<p>'We try and get business involved to say is this practical from a business point of view. Can we suggest something, when we make our comments can we ask further questions, can we suggest something else. When we're redrafting, it can we take those comments into consideration.' (I4, Q5) (Risk practitioner)</p> <p>'The gap that I identify is that these exceptionally bright individuals from a risk perspective sometimes do not completely and comprehensively understand what we do on ground level so when they walk in and they see you do something one way it's at times not criticized but it is the wrong way of doing it.' (I20, Q6) (Business stakeholder)</p>	X	X

5.4. Discussion

As indicated in the introduction of this article, three research questions informed this study. The findings related to these questions are now discussed using the FSB and new indicators identified in this study. These questions were

1. What are the benefits and challenges of implementing regulatory risk management principles into business practices?
2. How can regulatory risk management culture be improved?
3. What criteria can be extracted for use in assessing regulatory risk management culture?

1) What are the benefits and challenges of implementing regulatory risk management principles into business practices?

The findings of this study indicate divergent business and regulatory risk objectives within organisations. Part of the benefits of addressing these contrasts are that business and regulatory risk management may become clearer on their respective objectives related to their legislative environments and how to work together towards meaningful inclusion of regulatory requirements into business objectives. Tables 7 and 8 outline the benefits and challenges identified in this study.

Table 7: List of benefits for assessing regulatory risk culture identified in this study

#	Source	Indicator	Contributes to
1	FSB	Ensuring common understanding and awareness of risk	A shared business and regulatory risk practitioner understanding of key regulatory risks to which the business is exposed and the identification of suitable steps to address these based on the existing business landscape and resources.
2	FSB	Ownership of risk	Agreement that business is the true owner of risk including regulatory risk, with regulatory risk practitioners (RRP) playing an advisory role.
3	FSB	Escalation process	Organisational consensus on the risks to be escalated to senior management, the board and where required, the regulators.
4	FSB	Open to alternate views	Business managers and RRP allowing for views from on the ground staff and other stakeholders to improve regulatory risk related challenges in the organisation.

Table 8: List of challenges in regulatory risk culture identified in this study

#	Source	Indicator	Contributes to
1	FSB	Leading by example	Leaders in the organisation walking the talk by adhering to applicable regulatory requirements without this, success in effecting regulatory culture change is limited.
2	FSB	Learning from past experiences	The organisation taking stock of previous regulatory shortcomings and meaningfully introducing lasting change to address associated challenges.
3	FSB	Stature of control functions	Regulatory risk management function reporting to the board and/or CEO with CCO and risk managers as trusted advisors.
4	FSB	Remuneration and performance	Business incentivised more for reaching business objectives than adhering to regulatory risk requirements. The benefit of addressing this is that business rewards are set with better consideration of the regulatory landscape in which business operates.
5	FSB	Talent development	Ensuring that regulatory risk management teams consist of effective retention criteria for talented staff such that the organisation has highly skilled compliance officers serving as advisors to business.
6	New	Mis-aligned business and regulatory risk objectives (perceived or real)	Business and RRP requirements contrasting each other as opposed to creating platforms for engagement towards effective risk mitigation.
7	New	Providing guidance to business	RRP having sufficient knowledge of the regulatory requirements to guide the organisation on the legislative impact of business decisions.
8	New	Regulatory risk practitioners form part of the decision-making process (not engaged at/just before the point of sign-off)	Business managers providing the rrp with information early in the business decision making process to enable RRM to allow RRM sufficient opportunity to revert with appropriate consideration of regulatory landscape.
9	New	Regulatory risk function is considered a value add to business	Organisational perceptions about RRP are positive and viewed as valuable to enhancing not impeding business decisions.
10	New	Business acumen demonstrated by regulatory risk practitioners	Adequate RRP understanding of the business they support such that they are able to provide suitable advice to business based on the regulatory landscape to which business is exposed.

2) What criteria can be extracted for use in assessing regulatory risk management culture?

In the new codes identified in Table 6, indicator 3 ((i.e. Regulatory risk practitioners form part of the decision-making process (not engaged at/just before the point of sign-off)), links to the decision-based definition of risk culture used in this study. This is an example of criteria that can be extracted for assessing regulatory risk culture. Other criteria that can be extracted for assessing regulatory risk culture include items taken from the FSB like Tone from the top, Accountability, Effective communication and challenge and Incentives. Additional criteria that can be extracted for assessing regulatory risk culture include addressing the poor behaviours and related challenges caused by some staff incentivised practices, inconsistency in the tone from the top versus the practices on the ground and misaligned business and regulatory risk objectives. Without intentional efforts by the organisation to eliminate unacceptable regulatory risk management, practices, endeavours to bring about necessary regulatory risk cultural changes will be impeded.

3) How can regulatory risk management culture be improved?

Regulatory risk management culture can be improved by paying attention to the organisational behaviours and direct and indirect communication related to compliance. Telling your sales people that non-compliance will not be tolerated but not meaningfully including adherence to the applicable regulatory risks in their performance contracts, is an example of indirect and inconsistent communication regarding regulatory risk management. Finding ways to implement the indicators contained in tables 7 and 8 in the organisation, may provide useful assistance in improving company regulatory risk culture.

Apart from introducing intentional and specific measures to assess and monitor the FSB and the new indicators identified in this study, there are additional factors that could be considered.

These include:

Making it standard practice for business units to include regulatory risk practitioners in business management meetings and have early insight into business plans without losing their independence as a control function. This study found business units where compliance is included as sign-off signatory close to product launch, thus making it difficult for regulatory risk practitioners to add value to the process. Inconsistent approaches to early inclusion of the regulatory risk management function in business discussions may limit opportunities to leverage of the shared knowledge of business and regulatory risk practitioners.

The current weighting of regulatory risk management in business performance contracts need to be increased. Business and compliance stakeholders interviewed for this study largely see the importance of regulatory risk management culture, they also allude to business performance targets needing to include regulatory risk management in their performance contracts.

Regulatory risk managers are also requested by business managers to provide clear regulatory advice on business ideas. There are instances where business has approached regulatory risk management for an opinion on an idea that business would like to pursue but compliance officers are not willing to commit to a view. This non - committal approach by compliance also hinders the relationship between them and business. The business expectation is not that compliance agree with every business idea but rather that they provide sound reasons why they are for or against a business idea.

Organisations are seeking ways to have competitive advantage. (Dai, Duserick, & Rummel, 2009). Perhaps a noteworthy example of this would be an organisation whose regulatory requirements truly form part of setting and managing the strategic objectives of the organisation.

6. Conclusion

Conducting a research study specific to regulatory risk culture was found to be a worthwhile exercise, considering the lack of literature on this subject. This study therefore contributes to academic discourse on regulatory risk culture and associated business responses to this risk. Considering the increasing regulatory scrutiny, the severity of the fines being issued to various organisations, and the possibility of prison sentences for organisational executives for non-compliance to the law, other stakeholders, such as regulators, organisational executives and regulatory risk practitioners, are also expected to benefit from the study findings,

The indicators of this study are not intended to be exhaustive. They are meant to communicate to organisations which indicators reside within their companies that can be used to assess and improve their regulatory risk cultures. This study may serve as stimulus towards this end. Future research for adding further rigour to this study includes a survey-based confirmatory study that includes a wider sample in the organisation in which this study was performed.

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REFLECTION

Introduction

The main aim of the study was to identify criteria that could form the basis for assessing regulatory risk culture. This was done by investigating the regulatory risk culture and practices of a financial organisation, as experienced by participants in this study. A literature review was carried out as a way of understanding the current academic and regulatory literature on risk culture in institutions.

What went well?

This research project was supported by the management of the financial institution studied. Permission was granted to undertake the study in the organisation on the proviso that it was reported without identifying the organisation itself. A further condition was that the organisation could determine whether the results should be kept confidential. Participants for the most part responded positively to the request to participate in the study. This study also provided an opportunity to engage with other divisions within the organisation that I normally would not interact with.

Initially, the study was to be conducted using the North-West University Risk Culture Questionnaire. However, as the organisation where this study was going to be performed, was distributing other risk culture-related surveys at the time, concerns of survey fatigue were justifiably raised. Thus, this study's approach was changed to a qualitative study, with interviews now forming the main data source. This setback, although disappointing at the time, turned out to be a blessing in disguise as the interviews provided useful new academic insights and information that the organisation can use to evaluate their approach to regulatory risk culture.

Proofreading of the article by peers and supervisors assisted in providing clear focus for the study and for the research material used to pen this article. I am thankful to have had a good relationship and the support of my supervisor and the North-West University staff including the librarians who assisted with queries and sourcing research articles that I was unable to access. There was a time last year that I requested to defer a module due to work and personal pressures of life. I was encouraged by staff of the university to persevere. I would not be writing this document now if I had deferred that module. I am grateful for their support.

I am thankful also for the Prof Hermien Zaaiman and Dr Elisabeth Lickindorf for their invaluable assistance in refining this paper through their questioning, guidance and reminders to have a clear and simple storyline.

Improvement areas

Working on a mini-dissertation while fully employed and raising a family, made for an interesting challenge especially with the finite time and energy available. I believe that more focus and improved planning could have helped me to better navigate this landscape.

At an organisational level, the concern of survey fatigue resulted in a change in my research approach. This change resulted in delays in executing my research project as corresponding with stakeholders in the organisation on the new approach, agreeing with my supervisor on the final set of questions, scheduling, transcribing and coding interviews took additional time.

Lessons learnt from this project

Taking this course has provided a wonderful opportunity to improve my research and report writing skills. It has also challenged and increased my understanding of risk and risk culture by giving me insights into the international academic writing on risk culture. I intend to use these skills in the workplace. The effort involved in this study also gave me greater appreciation for the work and effort it takes for academics to put a research article together.

I also learned that one cannot pre-determine the approach and the results of the research and that the approach and results may indeed differ from that expected at the start of the study. Nevertheless, the findings provided meaningful insights into the subject matter, especially where the study results differed from the researcher's initial expectations.

Further I also learned that even if the researcher obtains interesting material, it needs to be told in a coherent fashion, with a clear storyline. Material that did not directly contribute to that storyline had to be discarded, at times painfully. During this process, I also learned to make peace with writing and re-writing material if your supervisor and peers do not see the relevance of this material for your study.

After agreement on the interview questions I needed to interview staff in the organisation and to code these interviews. The coding of the interviews also proved to be a challenge. As I had never coded interviews before, I underestimated the thought, discipline, logical structure/approach and the time it takes to code the interviews.

What can be done differently?

I could have planned my research project process from the gathering of academic literature to the interviewing, coding and report writing process better. I discovered that the gathering of literature is not without its challenges and that some of the literature gathered did not provide much value to this study. I think I could also have better managed distractions that steal your time. I also would have liked to know about developing a clear storyline earlier in the programme. Although efforts were made by the university over the duration of study programme, it has taken a while for me to learn this skill. Although I realise that I have not perfected this skill, I produced the best possible study that I could in the time available for such a potentially large study.

Factors specific to regulatory risk culture

Regulatory risk practitioners need to improve their business acumen to understand the implication of a business idea for their business. Currently some regulatory risk practitioners are comfortable with the legislation but not necessarily with the associated business impact. A regulatory risk practitioner with business acumen and understanding of the applicable legislation for the business they support may enhance the value they provide to business and possibly their business relationship as well.

It is often the intangible factors such as perceptions and attitudes towards regulatory risk management that influence the regulatory risk culture of a department or organisation. Perhaps compliance functions with assistance from business could develop metrics to quantify the value that they offer to business for example in the same way that compliance functions score business on regulatory risks. This process could perhaps be extended to include scoring of business support and attitude towards regulatory risk management.

Executive communication regarding adherence to the regulatory risk frameworks needs to correspond with the targets and incentives set for business. For example, a business unit may

be told to meet a sales target which accounts for 40 percent of its performance contract, but is also told to adhere to the regulatory framework at only five percent on its performance contract. In this scenario, the regulatory requirements will not receive significant consideration by the business.

I hope that this research articles findings will also be of some benefit to the organisation where this study was performed.

APPENDICES

Appendix A and B contain the FSB and new indicators, identified in this study. Included in these tables are the associated quotations from the interviews.

Appendix A

#	Indicator name	Example /quotations	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
1	Tone from the top	Quotations		
1.1	Leading by example	<p><i>'I'm fortunate that I saw the transition happening in this organisation and what I saw before if it didn't come from the top. If it didn't come from the group, the division, the powers that be, then the head of the business unit, the CEO or whatever you want to call them, if it's not affecting their bottom line they've not going to give it attention. It's just the way business is run. It doesn't affect their bottom line. I need to focus on what affects my bottom line. What affects my bottom line is that I need to do marketing, get more customers out there, I need to get my product out there. I need my customers, to know what I'm doing whatever I need to communicate. That's what I think affects my bottom line.'</i> (I6, Q2) (Risk Practitioner)</p> <p><i>'It definitely comes from an executive level. So it's, I mean I would never, I think it's unfair to whoever is putting together the campaign and trying to get it out into the line. I would never take that sort of instruction from, gosh even from somebody on a management level saying you need to do this and you need to do it by tomorrow. I understand the logistics that need to go behind it but when it's coming from an executive head and they're saying we've just walked out of exco. We need to do something and we need to do something really quickly about our sales on eggs. Put something together quickly. So ja. That's where it's coming from.'</i> (I18, Q4) (Business stakeholder)</p>	X	X
1.2	Assessing espoused values	Was not mentioned in the interviews conducted in the organisation researched for this study.	N/a	N/a

#	New indicators	Quotations	Mentioned by Risk practitioner (R) or business manager (BM)?	
			RP	BM
1.3	Ensuring common understanding and awareness of risk	<p><i>'You can't be there 24/7 to say guys this is a risk, this is a risk, this is a risk. You want business to enable themselves to be able to identify their risks and filter it up through to you and that speaks to their maturity. I think a lot of people have failed, they're go into let's just do our strategy, this is what we do, we'll come in and do our risk management plans. Here's your reg. universe, we'll kind of monitor whenever we have done. They forget the collaboration, they forget that you have to build a partnership with your business and they forget you need to know your business. Know your business is very, very key so if you know your business you know where your weak points are and you know your maturity. Because then I'll know they know this business unit, I need to spend more time in terms of training them, identify the risk and highlighting it to them so you have to have clear strategies and you have to know your business and you need to reach a business from a maturity perspective.'</i> (I1, Q5) (Risk Practitioner)</p> <p><i>I think as I mentioned earlier we've got two subject matter experts that look at onboarding and a post onboarding segment so we've got individuals that can guide us and our insourcing is from one of our affiliated companies so I think the insourcing part is I'm happy with the way that it's insourced. What I can suggest is that I find from a business perspective, I find a gap between the individuals that are mandated as regulatory risk officers. They are exceptional individuals when it comes to the risk aspects of business but there's a gap between their abilities from a risk culture and risk perspective and understanding our business. So if you take me and you put me in a different sector which I've never worked in I'm not going to be able to identify risks.</i> (I20, Q6) (Business stakeholder)</p>	X	X
1.4	Learning from past experiences	<p><i>'The biggest one is preventing fines or administrative sanctions which has a ripple effect, we have our penalties, your financial risk, your reputational risk, operational losses and that's the first one I would say. The second one I would say is quality improvements. That means if we have a good or effective compliance programme it enhances or prevents certain failures in business. For example, non-compliance failure so if you can have – you can implement – I wouldn't say cheaper controls but it would be cheaper to implement the control than to have a – or have a reputational loss or operational loss that is – third one, it creates efficiency. [unclear] efficient, it's a more profit driven organisation and that's what all organisations are trying for. To be more profitable as well as to be more efficient. A well-oiled machine. But it's a one, two, three, four, five, it's to create the trust in the brand and to integrate brand loyalty as well.'</i> (I7, Q3) (Risk Practitioner)</p> <p><i>'...you know back in the day when we didn't have this and a lot of things got swept under the carpet and now they seem to be unveiling themselves whereas if we had the structure back then that we have now, it's very different then like I must say as much as I fight and moan with our compliance, I'm actually happy they are here, because I mean they're actually for the greater good of the organisation. We could lose our license or get fined and in terms of them keeping us in line I think it's actually the benefit of them keeping us inline, keeping us honest, margin sure we're in the tight rope of what compliance is, that's very important for us. I think there are benefits to it because they keep us. Before them we didn't have such strong compliance, I'll be very frank and the whole thing fell through cracks and it felt like they were trying to sweep everything under the carpet.'</i> (I16, Q3) (Business stakeholder)</p>	X	X

2	Accountability	Quotations	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
2.1	Ownership of risk	<p>'...we're doing what we do because it's going to mitigate some form of risk and that protects us as a bank so I'm quite comfortable that it's not something that is static, it's not something that exists in a single form. It's not something that is, sits in a single department for example and is, the compliance department for example isn't responsible to manage compliance for the bank. The people are responsible to manage compliance for the bank and that's very very important, that distinction. It is everybody's responsibility and I think it's appreciated as such so I think that's how it is incorporated into the business.' (I3, Q1) (Risk Practitioner)</p> <p>'...these are not subtle regulations that are being broken. These are in the Volkswagen, this is a key reporting metric that you use as a common factor – emissions are probably – there's safety and then there's emissions. So emissions is certainly an up in lights criteria but yet somehow you can get away with gippoing the numbers and MTN [a South African telecommunications company], when you're mandated in a new environment to say you need to register cell phone users and record their addresses and ownership. That's the rules in which you operate. You know it. It's front and centre. You choose not to do it. It's a choice. Someone's making that choice knowingly. I don't think any of these were mistakes. These were choices people made to not stick to the regulation. That's where practice and regulation need to come together. More transparency I guess. (I12, Q3) (Business stakeholder)</p>	X	X
2.2	Escalation process	<p>'In so many senses you get that, for example you report to – let's say there's a problem you have identified. Once you have identified a problem, some people they keep that problem amongst themselves as an organisation. Others will disclose the problem to risk people or to compliance people or to audit people. So, others they keep it in house, resolve it in house and they never say anything about it. Others disclose the problem and then they mitigate and tell whoever they are reporting to that these are the measures they put in place to remediate whatever situation they have in place.' (I9, Q2) (Risk Practitioner)</p> <p>'In our BU you don't see that difference I think the advantage that we have is our risk guys and our compliance guys are part of all our decisions that we make. So we brought them closer and so they guide us as we're going along. So we have management meetings every month and they're sitting on the management meetings with us so we get all the input and we get upfront okay guys this is what's happening, this is what you need to comply with. So we get the news and we also kind of just, reaffirms the importance of compliance and risk as you go along. So there's no real difference between those because our reportings are very much in line with what they say in the committee vs what we have' (I15, Q2) (Business stakeholder)</p>	X	X
2.3	Clear consequences	Was not mentioned in the interviews conducted in the organisation researched for this study	N/a	N/a

3	Effective Communication and challenge	Quotations	Mentioned by Risk practitioner (RP) or business manager (BM)?	
			RP	BM
3.1	Stature of control functions	<p><i>'I'm fortunate that I saw the transition happening in this organisation and what I saw before if it didn't come from the top. If it didn't come from the group, the division, the powers that be, then the head of the business unit, the CEO or whatever you want to call them, if it's not affecting their bottom line they've not going to give it attention. It's just the way business is run. It doesn't affect their bottom line. I need to focus on what affects my bottom line. What affects my bottom line is that I need to do marketing, get more customers out there, I need to get my product out there. I need my customers, to know what I'm doing whatever I need to communicate. That's what I think affects my bottom line.'</i> (I6, Q2) (Risk Practitioner)</p> <p><i>'... there's a couple of forums I sit in where there's a risk person in the meeting. It's interesting they always give, unfortunately the nature of the role is they're always giving the claim devil's advocate and saying what if, taking the alternative scenario, worst case scenario and you need a culture where that's okay. Sometimes it feels like they're just breaking momentum. If you're having a meeting and you've got this [risk person] constantly on a horse around the negative and the worst case scenarios and it can feel like momentums broken in what you're trying to do but it's a balance. How do you have that voice in the room and it's a voice that's respected and heard and the opinion is taken into consideration but it's not a voice that seems to be negative. Or anti-business. I think there's an important balance between being responsible and being anti-business and I think across the line responsibility can turn into a bit of anti-business and that's not always useful. And then you kind of don't want those people in [the room]. It's not a productive conversation.'</i> (I12, Q4) (Business stakeholder)</p>	X	X
3.2	Open to alternate views	<p><i>'So it is important that when those frameworks are discussed then I can see that within the group there is consultation and there are consultation processes and I think as businesses we need to input more into those consultations, but ja. It's really what it is. Understanding on the part of the people designing the frameworks of the businesses that they want those frameworks applied to. They don't have to be experts but just sufficient knowledge to understand while this might be applicable to 90% of the [divisions] within the group, it doesn't necessarily mean applicable to [org] or specifically [org] fund managers so that is important.'</i> (I2, Q5) (Risk Practitioner)</p> <p><i>'What I would suggest in a case like that is there's appropriate workshops but the workshop size is important. If you get the whole group of companies together and you've got 300 people sitting there, you're going to have individuals that are not as confident to ask a question. But if you segregate it down to the business units or the organizational structures, the different groups of companies and you've got groups of 10 or 20 people sitting there you'll get the feedback that you want. People will start challenging your policy, disagreeing with it and I think you're going to get a ground level of feedback of what you've put down in paper, what we need to do in accordance with legislation but also opportunity if you can't change it to convince those individuals, guys we can't change this. This is what is imposed on us by law and this is how we have to commit to complying with this. We can't change this and that for me would introduce you to what we need to do appropriately so that managers can filter it down. It should always be backed up with something such as I mentioned our little cartoons with the questionnaire afterwards so that staff can physically</i></p>	X	X

		<i>experience what they need to do and see it. There is no use in having your senior managers that, they don't physically do the work. (I20, Question 5) (Business stakeholder)</i>		
4	Incentives	Quotations	Mentioned by Risk practitioner (RP) or business manager(BP)?	
			RP	BM
4.1	<i>Remuneration and performance</i>	<p><i>'Then from a business point of view, business always has their targets and targets don't necessarily align with regulatory requirements and one of the biggest examples is we've got to reach a certain sales target every month so that you're meeting your target and if at month end you've still gotten deals that need to go through on the last day and you're still waiting for the documents from the customer, you might just push them through anyway to achieve your target, knowing that I'll get it a bit later and then that never happens so that fine line. It's also from a business, it's not that people are trying to be unethical or deliberately go around the regulatory requirements but if they don't then they're not going to make money in terms of their targets and you know the regulatory impact is not going to affect them directly. So, it's also getting that understanding of how it directly impacts people on the ground.'</i> (I4, Q4) (Risk Practitioner)</p> <p><i>I think there's a quite a few factors. One is the way business people are measured. People in the front line, sales are measured on targets and profit and revenue. And sometimes regulation can be seen to be restricting growth because you have to operate in a certain way and so I think people's measurements possibility don't incorporate enough of the regulatory compliance. And are too heavy on the profit side so you're kind of incentivizing people to find creative ways to make money. And not necessarily within the regulatory principle. So that's one way. Other ways could be – it's not top of mind enough. So you're never going to incorporate into decisions made on a daily basis if it's not top of mind. So if there was a way to have it more obvious and more top of mind, I think it would be incorporated more obviously. And then I guess there's so many regulations. And just so many that I think people are overwhelmed and what I think – this is probably an opportunity for clients to tailor the regulations to suit different roles in business. It feels like a shotgun approach. Where we're all going to have to ask all the regulations. And like maybe three quarters of them are never going to be relevant to what I do. Whereas there's a quarter that are highly relevant. How do we make those top of mind so at least I understand the most relevant ones where I operate and sort of, I'm not saying leave the rest, but I'm not saying put the rest in a slightly different bucket?' (I12, Q4) (Business stakeholder)</i></p>	X	X
4.2	<i>Succession planning</i>	<i>Was not mentioned in the interviews conducted in the organisation researched for this study</i>	N/a	N/a
4.3	<i>Talent development /skill set</i>	<i>'...at the same time if you look at KYC (author's note: refers to Know Your Client regulations) or areas like that they have high staff turnover. Most of the employees are contractors. They aren't always skilled because they have such a high staff turnover and I don't, if I was I do understand that if they don't have the same intent to push – I think compliance is out of it. We are there to not even mediate but just to assist sometimes where we can make – use our discretion for certain documents etc. to bridge that gap from a legislative or a policy perspective.'</i> (I5, Q5) (Risk Practitioner)	X	

In Appendix B – “I” refers to interview numbers (i.e. Interviews 1–20) and “Q” refers to question numbers (i.e. question numbers 1–8).

Appendix B: New indicators including associated quotes and frequency of mention

#	New indicators	Quotations	Mentioned by Risk practitioner (R) or business manager (BM)?	
			RP	BM
1	Mis - aligned business and regulatory risk objectives (perceived or real)	<p>The first thing that if you are dealing with people that are not in regulatory risk management, the first thing they do is they only want to do their business. If maybe you are in a sales environment, in a sales environment what matters most is the number of sales that they put forward. Then the regulatory principles will take a back seat because the focus of the person is the sales and the targets that that person has to meet but now he has regulation to look into. The regulatory principles that that person must adhere to before the sale goes through but he sees that now if I focus on regulation I'm missing what I need to close a particular deal in front of me that I have so this generally is what you will see, that's what will hinder incorporating risk management principles into business. Sometimes it is attitude. The people have an attitude towards the regulatory risk principles or management. They say that it's a waste of their time because it's not in their framework. So client facing people in most instances are very very expressive and very robust and sometimes it's people that will hinder the incorporation of risk management principles. (I9, Q4) (Risk practitioner)</p> <p>Well I'm basically going to refer mostly to on the investment side – management side which is where I'm focused on. Basically, regulatory framework was put in place. Basically, to allow us to manage certain investment in line with mandates and there are certain parameters that are put in place to make sure that those investments meet the objective. For example if you manage a pension fund you shouldn't be able to introduce excessive risk like I said because it's someone's lifetime savings. Okay. So what, basically the first point of call is the regulation that each investment manager needs to be aware of. It is legislated and those principles are then incorporated into our portfolio management system so basically if I want to implement a trade on that particular portfolio and it breaches whatever regulatory compliance is set out it will basically flag it to me initially to warn me that I'm about to make a breach and if I for example I override that. Okay that will flag to a compliance manager to basically make sure that the breaches never really get reached. Before it even gets to a point where it is reported to the regulator. (I14, Q1) (Business stakeholder)</p>	X	X

#	New indicators	Quotations	Mentioned by Risk practitioner (R) or business manager (BM)?	
			RP	BM
2	Providing guidance to business	<p>'I think teaching, it should be drilled to people and we should teach them on a regular basis on their environment what regulatory principles they should be aware of and how are those regulatory principles applied in their environment and what impact will that have as the end result. As the end of result of any functions that they are performing so that we – other changes that might be. Training might be happening but if it's not frequent enough people forget and then if people are not reminded of what needs to be done so that they are in the framework of a proper regulatory management they forget and then they do things in a different way but if its' instilled in them it tends to be culture, they breathe and they think even if they wake up at 2 in the morning they'll be thinking that no this is how it should be done.' (I9, Q5) (Risk Practitioner)</p> <p>Proper guidance. So I think from, I'm talking about group when you need to incorporate a new type of regulatory piece of, it could be legislative or whatever into your business, I find that [Central compliance team] is very far removed from that process. They give guidelines and it opens business to interpretation So that's why I don't think the entire group is aligned when it comes to it because everybody interprets the piece of legislative requirements differently and we incorporate it differently as business units within [org] so I think guidance is a big factor there. (I19, Q4) (Business stakeholder)</p>	X	X
3	Regulatory risk practitioners form part of the decision-making process (not engaged at/just before the point of sign-off)	<p>'...being a signatory or sign off in terms of whatever projects the business has so if they're running any projects, it can't just be, it can only go live or be launched once all the required persons have signed and they have to have either risk or compliance as sign off. As a compliance practitioner, I have to sign off ' (I6, Q1) (Risk Practitioner)</p> <p>in our BU you don't see that difference I think the advantage that we have is our risk guys and our compliance guys are part of all our decisions that we make. So we brought them closer and so they guide us as we're going along. So we have management meetings every month and they're sitting on the management meetings with us so we get all the input and we get upfront okay guys this is what's happening, this is what you need to comply with. So we get the news and we also kind of just, reaffirms the importance of compliance and risk as you go along. So there's no real difference between those because our reportings are very much in line with what they say in the committee vs what we have. (I15, Q2) Business stakeholder</p>	X	X

#	New indicators	Quotations	Mentioned by Risk practitioner (R) or business manager (BM)?	
			RP	BM
4	Regulatory risk functions are considered a value add to business	<p>You know it's often been said that regulatory requirements is a, you know a hindrance to the free market and it does impact on our ability to be innovative and all of that but I think one needs to take a very different approach to it and find that regulatory challenge, it's actually an opportunity to be innovative in this market. So one needs to say how do I ensure that I'm compliant in this business. How do I ensure that I'm a compliant business in the most efficient and cost-effective manner for example? One should only see it as a strategic competitive advantage to be compliant in the most optimal way as possible. As a business if I'm able to meet my compliance requirements and at a much lower cost and much more efficiently with a very minimum impact to customers for example, I gave a strategic advantage to my competitor, for example. So one must look at it as a strategic competitor differentiator, and I think that's quite important so it's about how we view it firstly. I think it's important from that perspective. You know there isn't too much negotiation around it. If one takes a look at what does it mean to be compliant, it's actually our license to operate. (I3, Q5) (Risk Practitioner)</p> <p>Sure when it comes to that can compliance ever be exciting. You know I had to do a presentation and the picture they put up for compliance is a policeman saying stop. The policing forum of the business. If there's any way so your questions are very wholesome and they encompass everything I could have thought about. In terms of an eighth question – sjoe. Do you think compliance is actually – [general discussion] I look at other areas and compliance is the one thing that's holding us down completely and unfortunately it has to be [general discussion] so compliance is supposed to be a support function and with it being a support function how much value have they really added to the business. Can they quantify the value of that, because, that's something I ask myself? The guys are always here, stop stop stop but do you know why you're stopping us? How much you actually lost us but how much have you saved us kind of thing. Can you see the benefit of what this compliance has done for us? I think that will be the one question I'll ask. You guys are doing this but to the detriment of? (I16, Q8) (Business stakeholder)</p>	X	X

#	New indicators	Quotations	Mentioned by Risk practitioner (R) or business manager (BM)?	
			RP	BM
5	Business acumen of the regulatory risk practitioners	<p><i>Because it takes such a long time for draft bills to get signed and enacted, there's not a lot of things we can do besides that awareness in the beginning but what we do encourage business to do is whenever there's time for comments, whenever we need to provide comments on a certain piece of legislation or something that's coming up, if we need to provide a business aspect to it, we try and get business involved. To say this is what the law is trying to say, for example with POPI, identifying all the special information requirements and how we're going to deal with that. We try and get business involved to say is this practical from a business point of view. Can we suggest something, when we make our comments can we ask further questions, can we suggest something else. When we're redrafting, it can we take those comments into consideration. And it's easier for business to then implement. Often what we find is the concept is amazing but to implement within any industry might not be practical. So those comments, I think it does provide to making business more aware to what's coming but also getting that collaboration with business to say okay if I have to comply with this how would I do it? (I4, Q5) (Risk practitioner)</i></p> <p><i>The gap that I identify is that these exceptionally bright individuals from a risk perspective sometimes do not completely and comprehensively understand what we do on ground level so when they walk in and they see you do something one way it's at times not criticized but it is the wrong way of doing it. You know, as I mentioned earlier in the interview with making coffee, you still get to coffee. We just do it slightly differently because this is the practical way of doing it. So that gap for me exists and that for me is – something that can be enhanced to better support business is to understand the industry that you are going to go in and supply a service to from a regulatory risk perspective. If you understand the industry and the practicality better of what these individuals need to do on a daily basis you'll be able to firstly in my opinion better identify gaps and risks in the process but also be able to say that you know the way that I want to tell you how to implement this aspect of regulations, I need to reset my mind because it's not practically executable in your business. That for me is an impact on our business. Because we at times, people walk in and says this is what you have to do. (I20, Q6) (Business stakeholder)</i></p>	X	X