

A yellow graphic element consisting of two overlapping circles of different sizes is located to the left of the title text.

The CRO Function within the board - time to redefine!

Ebbe Negenman,
CRO AEGON Bank/Knab
Amsterdam, 11 April 2019





**Banking is
necessary, Banks
are not
-
time to redefine**

Dutch Disruption in transportation

De oudhollandse trekschuit



The lesson of history is
not to predict future
but to imagine
alternatives

Yuval Harari

The first ATM machine was unveiled on 27 June 1967 outside Barclays in Enfield.

Innovation is not new to banking!



Mr. Shepherd-Barron came up with the idea of the "automated teller machine" in 1965 after he arrived at his bank "one minute too late" to withdraw money.

"It struck me that there must be a way I could get my own money, anywhere in the world or the UK,"

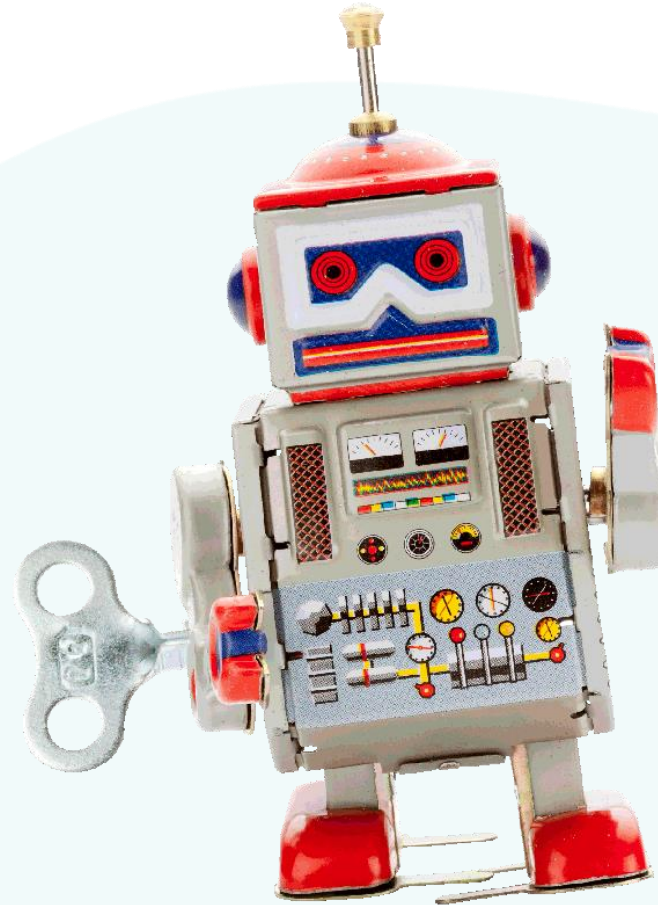
"I hit on the idea of a chocolate-bar dispenser, but replacing chocolate with cash."

The electric light did not come from the continuous improvement of candles
Oren Harari

Banking is changing disruptively!

Banks have undergone various technology-enabled innovation, but most of them accelerated business of banks.

We think with the growing adoption of Fintech, the nature and the scope of banking and therefore banking risks as traditionally understood will significantly change over time, in the form of both new technologies and business models.



And the banking environment is changing as well

People expect something better

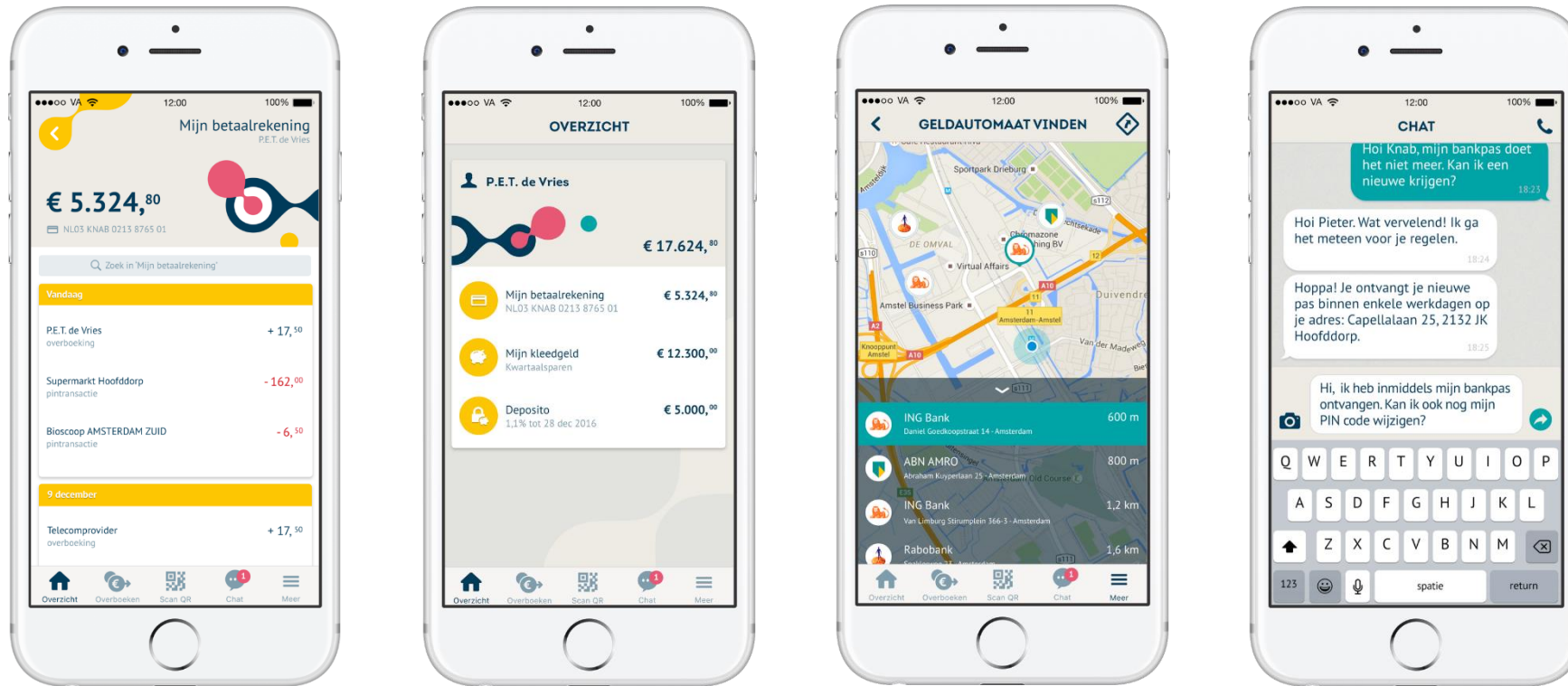


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**We started a new
bank in 2012,
because banking
could be done
better.**

Digital and client focus

Business model of Knab



Vision and believe are the basic for success - René Frijters

Knab is a fast grower in the Netherlands



Dutch Fintech Landscape in 2018

But we are not alone





**The risk
management
function
-
time to redefine.**

More than ever we need risk management

No risk means no business



Sylvie Matherat, Chief Regulatory Officer Deutsche bank

The job is to take and manage risks



Deutsche Bank

695,556 followers

3w

"Our job is to take and manage risks." Board member Sylvie Matherat discusses why banks are safer now than before the financial crisis. Find out more in our Economy Views video: <https://lnkd.in/dDX9QJt>





The role of the Chief Risk Officer within the bank

Strategic Risk

Three scenarios:

- The continuation of the traditional banks' domination
- Disruption by leaner, more flexible and focused banks
- The emerge of an ecosystem of financial service providers

In any case banks need to understand their own core capabilities and their strategic aspirations today to take actions for tomorrow



The leadership role of the CRO (part 2)

Be a worthy company






"We are not in the product business, because people dream of owning a home, not a mortgage; people dream about protecting their spouse and children, not buying a life insurance."

Helping people to achieve a lifetime of financial security

It is operational risk profiles that will change most in the next five to ten years not credit or market risk



Realising business improvements

-  **Strategic adjustments**
 - Optimize balance sheet under all regulatory and business constraints
 - Portfolio strategy and identification of priority growth areas.
-  **Review of client relationships**
 - Identify essential relationships, high-revenue clients, or those that are a source of funding.
 - For low-performing clients relationships can be modified
-  **Tactical moves**
 - Small adjustments to the current product offering making them more capital efficient for the bank.
-  **Technology measures**
 - Reduce capital deductions and buffer requirements
-  **Costs**
 - Reduce operating costs
 - Correcting RWA accuracy, data quality, and processes

Managing the risk on fines

de Volkskrant

NIEUWS ING

Hoogste boete ooit voor ING: winst bank ging boven controle op witwassen

Met 775 miljoen euro heeft ING dinsdag de duurste schikking ooit met justitie in Nederland getroffen.

Minste AD Nieuws Regio Sport Show Video Koken & E

ING treft schikking van honderden miljoenen in zaak witwaspraktijken

UPDATE | ING heeft een schikking getroffen met het Openbaar Ministerie (OM) in een onderzoek naar betrokkenheid bij witwaspraktijken. De bank is akkoord gegaan met de betaling van een boete van 675 miljoen euro en een terugbetaling van 100 miljoen euro. De financieel dienstverlener erkende tekort te zijn geschoten bij het voorkomen van witwassen.



Achtergrond

Hoe faalde ING in het voorkomen van witwassen?

Geüpdatet: 04 september 2018 15:47

EUROPE NEWS

UNITED KINGDOM

RUSSIA

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FRANCE

EUROPEAN UNION

ING CFO Timmermans to step down after \$900 million money laundering fine

- Koos Timmermans, 58, who was appointed CFO in 2017, will remain in his job until a replacement is installed, the company said in statement.
- The company said its chief financial officer was stepping down amid a public backlash after the Dutch bank said last week it had failed to prevent money laundering for years.
- The decision is a turnaround from the company's position on Sept. 4 when the settlement was announced.

Published 2:48 AM ET Tue, 11 Sept 2018 | Updated 2:57 AM ET Tue, 11 Sept 2018



REUTERS

witwassen

© DI 4 SEPTEMBER, 07:16 ECONOMIE



Fraud risk

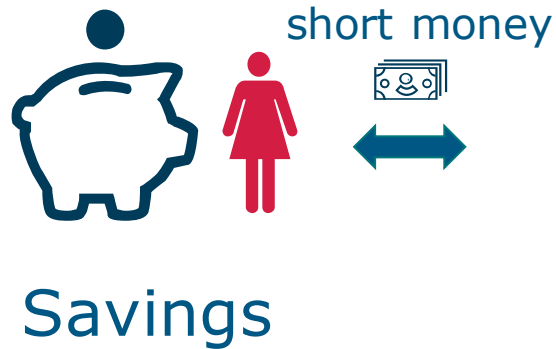
- By regulation the we are increasingly being required to assist in crackdowns on illegal and unethical financial transactions by detecting signs of money laundering, sanctions busting, fraud, and the financing of terrorism, and to facilitate the collection of taxes. This is difficult to manage from a reputational risk standpoint.
- Technology does provide “opportunities” for fraud as well. It is a continuous challenge. But the simple fraud is there as well.



Do not forget the “old” role of the CRO

Credit and Market Risk

The maturity transformation function is still core to a bank



Profitable

Heavily regulated

Risk management of dominant importance

The complexity of regulation

The enormous amount

The future undoubtedly holds more regulation - both financial and nonfinancial.

- Regulation on financial stability: capital, leverage and liquidity (Basel III and IV, CRR, CRD, LCR, NFSR, FTBR, CVA, AVC, TLAC, MREL)
- Protecting customer deposits from more high-risk activities of banks with recovery- en resolution plans (Liikanen, Vickers, Volcker, RRP, BRRD, SRM, bail-in, living will)
- Regulation on improving business conduct & governance (Zorgplicht, remuneration, BCBS239, central clearing, criminal sanctions)



The CRO deals efficiently with regulations

The complexity of regulations

- More resources than ever before are being dedicated to testing, monitoring and other oversight responsibilities – at the expense, given budget limits of production resources
- There is a risk of not being compliant, but also a risk of being too costly or inefficient, compared to less regulated competitors.
- Banks do not control the demand for compliance, but must optimize the effectiveness and efficiency of their compliance response



The CRO manages cybersecurity risk

More tail events will happen

- Protection against cyber attacks is a top strategic priority of the CRO.
- Cybersecurity will only increase in importance and require ever greater resources.
- There is a war on talent.

Cybercriminelen lichten klanten Knab op via Google-advertenties

HOME

Marjon op de Woerd – 5:00, 24 november 2017



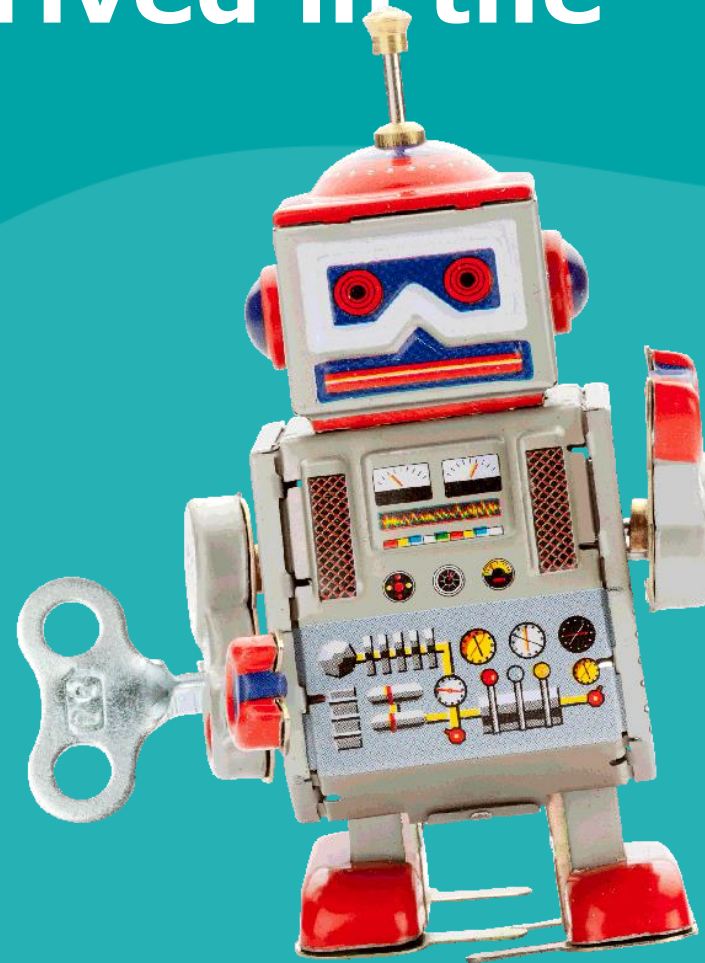
The industry operates in a herd

knab

The CRO role of managing technology risk

Digital has officially arrived in the banking sector

- More and more new types of competitive solutions are arising.
- Technology is important because it provides a new toolkit to help to deliver a superior customer service.
- Increased dependence on technology (e.g. Distributed ledger, Cloud Computing) requires that executives understand technology better.
- Technological innovations is enabling new techniques (e.g., Artificial Intelligence, Machine Learning, Advanced data analytics) and are also helping the bank to make better risk decisions at lower cost.



The CRO is technology driven

Game-changing technology

Gamification 

- Offers a more enjoyable and meaningful customer experience

Process automation 

- Offers a large-scale cost reduction in combination with increased flexibility and accuracy of back-office tasks

Examples of
game-
changing
technology

Blockchain technology 

- Could radically simplify the payments and transactions world

Biometric technologies 

- Allow for seamless and secure digital authentication

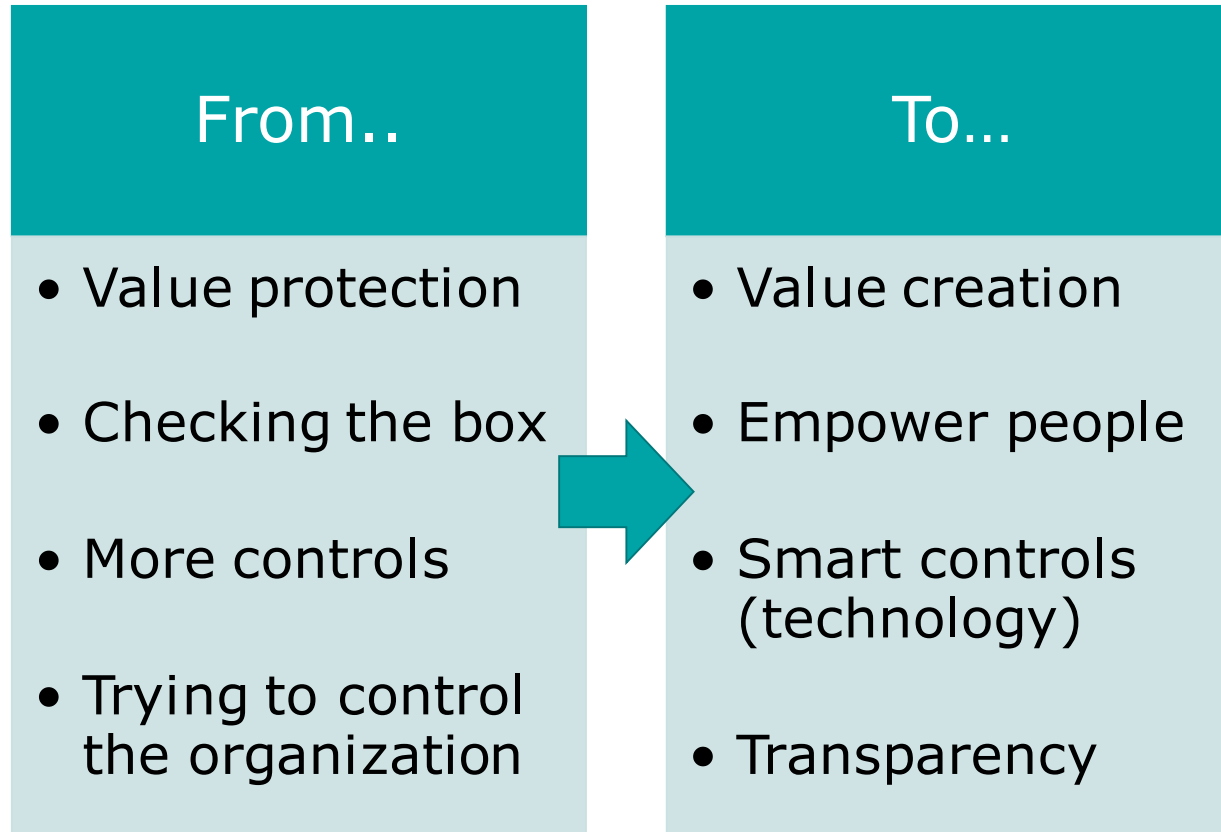
Digital investment 

- Solutions such as robo-advisors enable automated investment advisory services



**Risk is not a back-
office function**

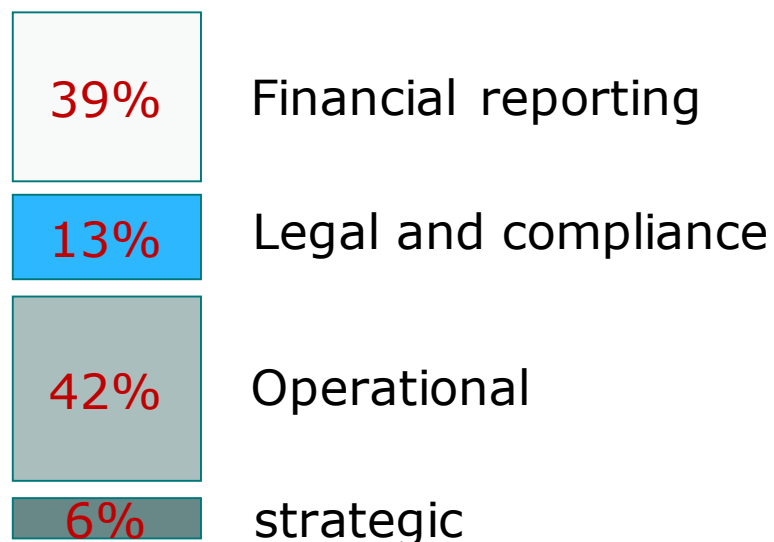
A paradigm shift



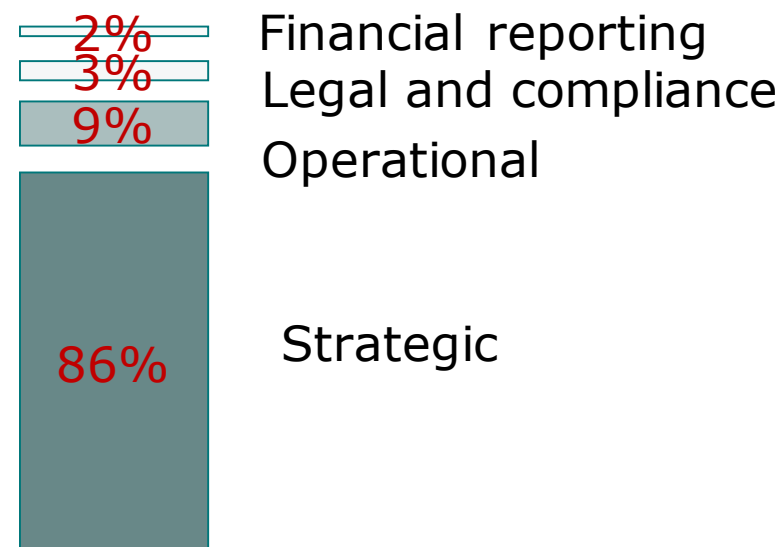
Setting the scene for Risk Management

Integrate risk management with the strategy

The proportion of time spent on each type of risk



The proportion of significant losses in market value caused by each type of risk over the past decade



Source: How to live with risks, "Harvard business review", July-August 2015



**What keeps me
awake at night**

Herd behavior risk

Since it is costly, both in time and money, to develop a risk measurement system that is eventually rejected by the regulator, banks will have a tendency to choose risk modelling techniques that have been proven to be acceptable by the regulator.

