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Seatbelt Analogy: The Less-risky Future of Banking Operations

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To many, safety is paramount. Perhaps, most are aware that being safe is what keeps everything in check. It is arguable, however, that some are very confident with the sense of safety which they have become accustomed to, that precautions are deemed rather unnecessary. Just like seatbelts in our cars are sometimes neglected, so are operational risk management contingencies in banks with the still-apparent issues from minor incorrect data inputs in branches to large fraudulent actions – with major cases all over the media – just to name a few. Here we are going to take a look at why operational risk awareness should start to be measured in the best way possible, and how it should be done.

Starting off with a two-part question: when you are in a car, do you wear your seatbelt? And if you do, why? In an idealistic sense, one may come up with answers circling around the awareness of safety; that an accident may occur at any point in time during any journey. This is the expected mindset when it comes to seatbelts – that is what they were invented for. It cannot always be ideal. However, some would say that the only reason why they would wear a seatbelt is simply to avoid a ticket and not as a safety precaution. Others may say that they realize the safety benefits, but refuse to wear them for convenience reasons. Some may not even care whatsoever. This variety of mindset can be seen in how bankers see operational risks and their involvement in them.

Every bank out there has what is known as Risk Management Policies, a set of standardized key points that regulate how all kinds of banking risks are maintained at a preferred level. The policy acts like a seatbelt for a bank – preventing damage. But whether or not the people operating the bank fully realizes the benefits of that banking seatbelt is another question. How can a bank know how aware its employees are about the potential operational risks? How do we make sure that the 'seatbelts' are worn for safety and not just compliance? And how can we, as bankers, set up a future of banking where operational risk events are kept at a bare minimum? The answer: risk awareness maturity measurement.

Unlike risk management maturity models, if one types into Google, "risk awareness maturity model," it will find nothing. Apparently, in the banking industry at least, it has been barely done. What would be great about a risk awareness maturity model is that a bank can measure the level of how aware its employees are of present and potential risks, how the management advocate for better awareness, and at what levels the initiatives of employees are to raise their concern whenever a risk becomes potential. And this can be applied most tangibly for operational risks.

The first thing in measuring risk awareness maturity is to come up with the different criteria for the risk awareness maturity model, against which the awareness shall be measured. Deloitte & Touche Tohmatsu released an article in 2016 with which they elaborated 16 elements that influence risk culture, divided into 4 main groups as follows:

Source: Deloitte & Touche Tohmatsu, "The way to risk culture," 2016.

Here is how it works. A bank's operational risk division may come up with maturity criteria which align the 16 elements with the relevant condition of the bank. With the criteria now in place, it is only a matter of matching them with predetermined maturity levels; perhaps 5 levels from Ad Hoc to Optimized referring to GRC Indonesia's risk management maturity model, or even only 4 levels from Initial to Advanced taken from Hopkinson's enterprise risk maturity model. The bank shall choose which levelling they would like to choose, and more importantly, the maturity element which cover the whole model.

Perhaps the best method in assessing the risk awareness maturity is through a bank-wide questionnaire. With the maturity model complete, a questionnaire shall be constructed based on that. The questions are derived from the maturity criteria, and the multiple choices are obtained from the maturity levels and elements. This would be one of those questionnaires whereby the more respondents throughout every risk taking units and employment grade, the better.

What then, are the hopes after all this? First and foremost, is that Indonesian banks can now have a clearer view on how mature their people are in terms of operational risk awareness. This may lead to changes and innovation in risk management systems, training methods, and recruitment qualifications.

Secondly, banks may have a bigger chance in making sure that risk management policies, at least operational ones in this instance, are followed by employees because of their awareness and not just for the sake of being compliant – the seatbelt analogy.

Last but definitely not least, is that by leveraging employees' operational risk awareness, the working environment in Indonesia's banking industry may start to become safer and risk-aware by minimizing potential operational risks and chances of fraud. Benefits for the end customer may form in them feeling even safer in the hands of bankers, which in turn increases their trust towards banks and the credibility of banks in the country.

All in all, it can be argued that risk awareness maturity is something Indonesian banks are not yet accustomed to. Operational risk cases are still very much around, and minimizing them is one way to make banking in Indonesia a better industry in the future. Just like seatbelts in our cars, operational risk management could be approached through proper awareness of risks or simply just for the sake of doing them. Ideally, we are going after the former, and by measuring the maturity of operational risk awareness in banks and building action plans based on that knowledge, the less-risky future of banks in Indonesia might just be ahead of us.

References: *Deloitte & Touche Tohmatsu, "The way to risk culture," 2016.*

Telah Terbit

Daftar Buku Ikatan Bankir Indonesia

PROFIL IBI

Ikatan Bankir Indonesia (IBI) berdiri pada 12 Desember 2005 sebagai hasil merger antara Institut Bankir Indonesia dengan Bankers Club Indonesia. Pendirian tersebut disaksikan oleh Gubernur Bank Indonesia dan Menteri Keuangan RI. Visi IBI adalah menjadi asosiasi profesi bankir di Indonesia yang memberikan manfaat bagi anggotanya dalam bidang pengembangan profesi, praktik perbankan yang sehat, dan penerapan tata kelola yang baik untuk membantu pemerintah mengembangkan ekonomi nasional yang kuat melalui 6 kegiatan utama: (i) Menyatukan bankir dari seluruh bank yang beroperasi di Indonesia; (ii) Meningkatkan profesionalisme dan integritas bankir; (iii) Membantu para anggota; (iv) Menyediakan sertifikasi kompetensi profesi bagi para anggota; (v) Menjadi mitra profesional bagi otoritas perbankan dan pemerintah untuk mewujudkan sistem perbankan yang sehat; dan (vi) Mewujudkan anggota yang disiplin melalui Kode Etik Bankir Indonesia.

PROFIL LSPP

Lembaga Sertifikasi Profesi Perbankan (LSPP) didirikan oleh IBI, Perbanas, Himbara, Asbisindo, Asbanda, dan Perbarindo pada tahun 2006 di bawah lisensi Badan Nasional Sertifikasi Profesi (BNSP). LSPP menyediakan sertifikasi untuk 9 unit kompetensi yaitu Manajemen Risiko, Audit Internal, *General Banking*, *Treasury Dealer*, *Compliance*, *Funding and Services*, *Operations*, *Credit and Wealth Management*. Sertifikasi kompetensi yang dikelola oleh LSPP meliputi 3 aspek yang ditentukan oleh BNSP yaitu Pengetahuan, Keahlian, dan Perilaku, untuk menghadapi tantangan industri modern perbankan. Sejak 2008 sampai dengan 2017, LSPP telah mensertifikasi tidak kurang dari 144.000 bankir dari seluruh bank di Indonesia.

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