RISK BEYOND 2024

ERMA INTERNATIONAL CONFERENCE ON ERM

Sustainable Symphony: Echoes of Change

Data-Driven Futures: Shaping the Culture of GRC and ESG in the Age of Intelligence"

Data-Driven Insights Shaping Risk Culture

Zernil Lurthanathan
Head, Risk Strategy, Transformation, & Enterprise Risk Insights
RHB Bank Berhad

RHB

ERMA

Risk Beyond Is Hosted by
ERMA - Enterprise Risk Management Academy
www.erm-academy.org

riskbeyond.com

Zernil Lurthanathan
SVP, Risk Strategy, Transformation & Enterprise Risk Insights

Over 19 years of experience in the Malaysian financial industry, primarily in risk management, strategy & analytics

Great Eastern (A member of the OCBC Group)	BANK NEGARA MALAYSIA (CENTRAL BANK OF MALAYSIA)	BURSA MALAYSIA	CIMB	RHB Bank Berhad
(2005) Scholar Management Associate	(2007) Scholar Risk Management Prudential Policy	(2012) Head, VP Regulatory Strategy Data Analytics	(2018, New Set-Up) Head, Director Risk Strategy / Business Management Office	(2021, New Set-Up) Head, SVP Risk Strategy Transformation & Enterprise Risk Insights

Sustainable Symphony:
Echoes of Change

1. My thoughts surrounding risk transformations

2. Deep dive into the following key topics:

- Risk culture
- Risk analytics (beyond regulatory)

Sustainable Symphony:
Echoes of Change

RHB

RISK BEYOND 2024

ERMA INTERNATIONAL CONFERENCE ON ERM

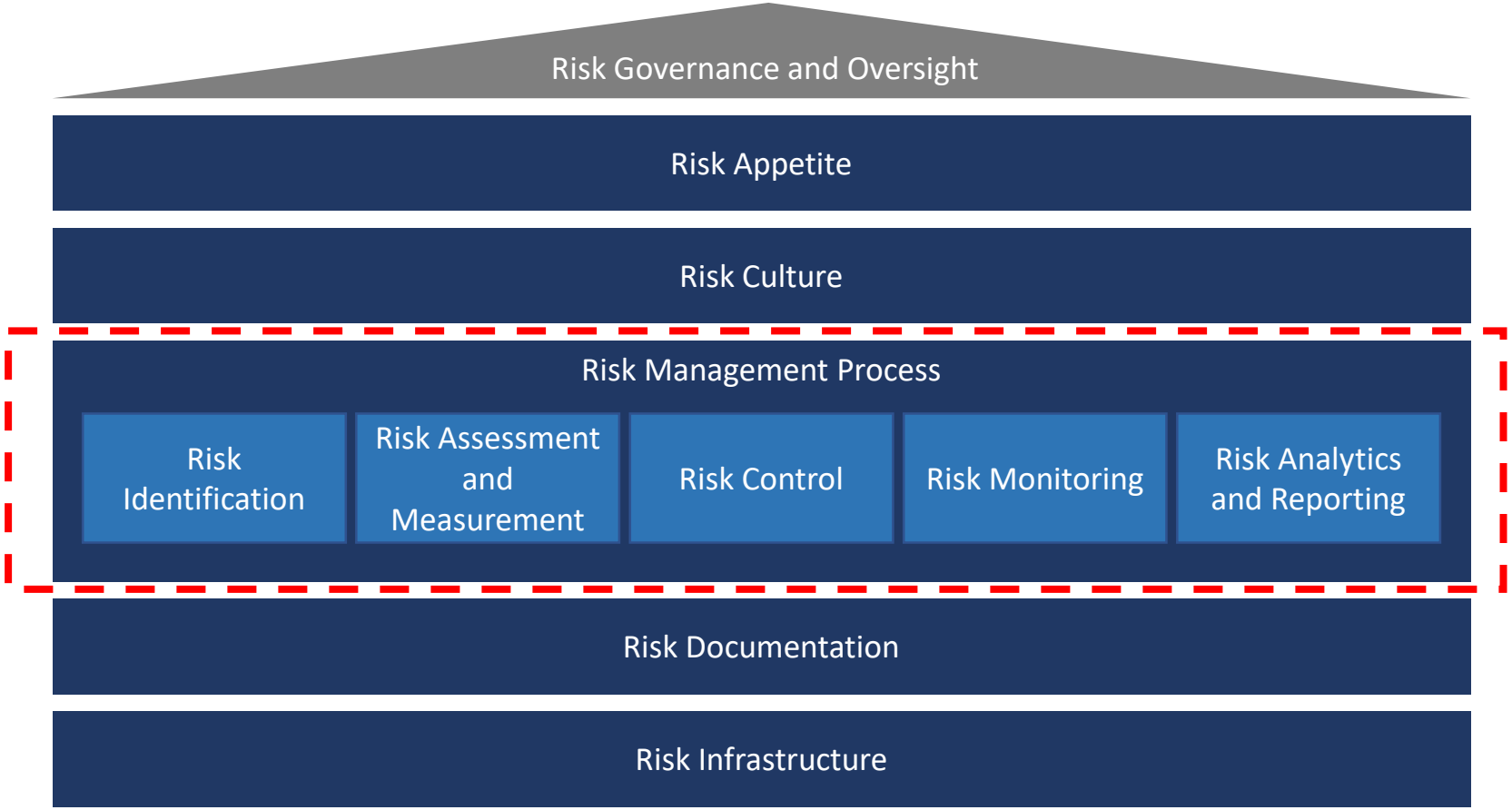
Frameworks & Policies

ERMA

Risk Beyond Is Hosted by
Enterprise Risk Management Academy
www.erm-academy.org

riskbeyond.com

What does a typical risk management framework look like…



Risk management process and its nuances…

Identify

Strengthen detection via early warning models and constant far out identification of emerging risks

Measure

Implement quantifiable behavioural metrics

Mitigate

Escalate and collaborate with business (1.5 LOD) to address behavioural issues via action on demand

Monitor

Establish monitoring of control effectiveness

Report

Automated risk view for decisioning

My views on how to innovate and transform within and across risk value chain to strengthen risk culture…

Anchor enterprise risk management from both risk and opportunities perspective:

- Shift risk conversations beyond managing and pre-empting risks

When identifying and assessing risk & growth opportunites, you need to look at both:

- External data: News, regulatory / demand shifts, financials market positions, third party exposures
- Internal data: Standardise risk register descriptions e.g risk A causing B with impact C

Preemptive early warning signals to sharpen KRIs and identify areas where we can place greater bets on

Clear and concise management / board risk reports (bottom line up-front messaging) to aid decisioning

Sustainable Symphony:
Echoes of Change

RISK BEYOND 2024

ERMA INTERNATIONAL CONFERENCE ON ERM

Deep Dive Into Risk Culture

ERMA

Risk Beyond Is Hosted by
Enterprise Risk Management Academy
www.erm-academy.org

riskbeyond.com

Our Risk Culture journey thus far

RHB has undergone various risk culture efforts since 2020 and has taken a data driven insights approach to drive action on demand.

Baselining

Q4'2020

- Credit Transformation 1.0: Rolled out **Risk Culture survey.**

2021

- Conducted **Focus Group Discussions and interviews** to test and confirm issues and explore further solutions.

First steps

May 2021 - 2022

- **Rewards and Consequences** – KPI enhancements.
- **Empowerment** – Improved quality of papers through:
  - Standardised risk templates
  - "Impactful Board Slides" workshops and bi-weekly bulletins to reinforce the lessons.
- **Prioritisation** – Incentives for Risk Team and BRCO optimisation.

Transformation

2023

- Analysed various data points and engaged BRO/BRCOs with the highest risk events / losses.
- Experimented and developed prototype dashboards. Piloted and enhanced for GWB.
- Experimented on fraud models that can complement GCB's 1st line fraud model.
- Determined Risk Culture metrics / targets for 2024 KPIs.

Successful efforts that work

2024 onwards

Hindsight View - Risk culture dashboard with action on demand

Foresight View - Early warning models

a) Early warning external fraud risk profile overlay model
b) Early warning internal fraud model

Risk culture e-learning, fraud risk campaigns & regional risk awareness roadshows (BAU)

Sample Hindsight view - Risk culture dashboard with action on demand

a Overview of the status and details of detected and reported loss events for targeted monitoring

b Detailed analysis of the detected and reported loss events – Analysis highlighted the trend, frequency and root causes

c Ease tracking of open events enabling the Business Risk Officer to focus on insight generation

The practical approach - data driven insights tracked via clear metrics

	Risk Culture Programme KPI metrics
a	Reduction of repeated loss incidents
b	Reduction of high risk audit findings
c	Reduction of internal fraud incidents

- Better enables the Business Risk Officers to act early.
- Prompts for action via the good, bad, ugly view.
- Provides first and second line of defense to have meaningful and targeted conversations.
- Actions are tracked and effectiveness monitored over a period of time.
- When things don't work, we go back to the drawing board to ideate solutions / actions.

An example of an early warning external fraud risk customer profile- 2nd LOD view

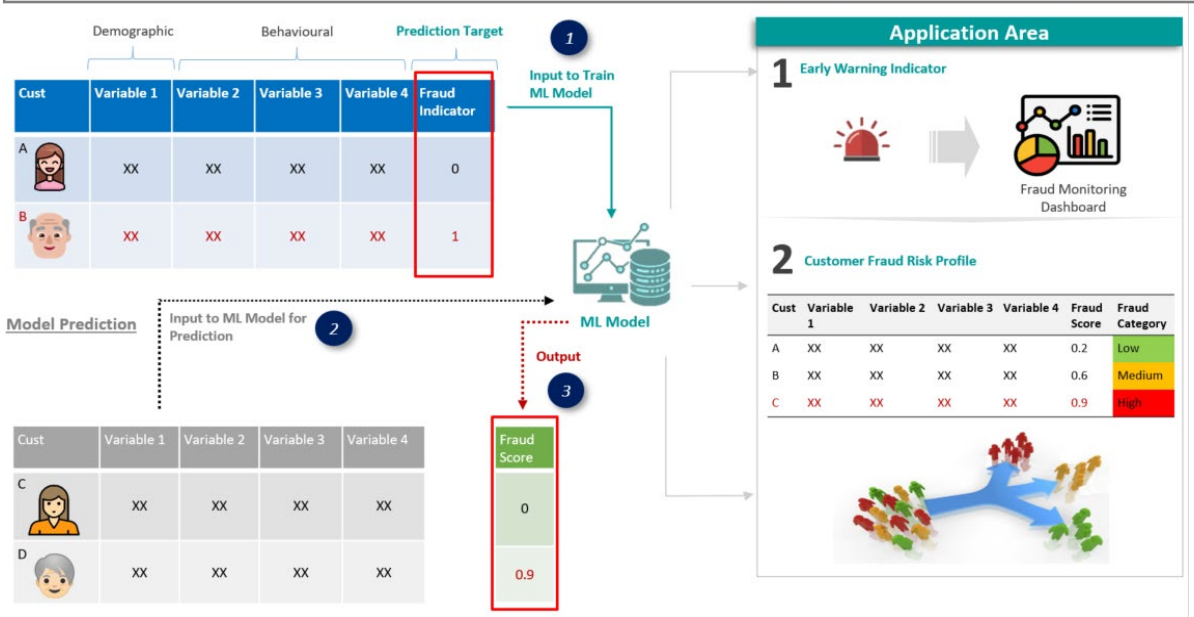
Results

Based on our pilot results from January 2024 to May 2024:

1. The model's potential capture rate of undetected fraud victims averaged 43% over the 5-month pilot period.
2. This equates to **additional RM XX million per annum** in loss prevention.
3. Fraud victims classified in the high and medium risk groups also tend to incur larger losses compared to those classified as low risk.
4. Besides improving fraud detection, the model can be used for proactive fraud management. The results show that by targeting 2% of the customers, we capture 29% of all fraud victims (including both detected and undetected cases).

Objective

1. Develop **customer fraud risk profiles** to improve early detection and complement 1LOD detection mechanisms.
2. **Improve Risk Prioritization** with key focus on high risk customers
3. Enhance **fraud detection rules to minimize potential financial losses** from fraud and scams.

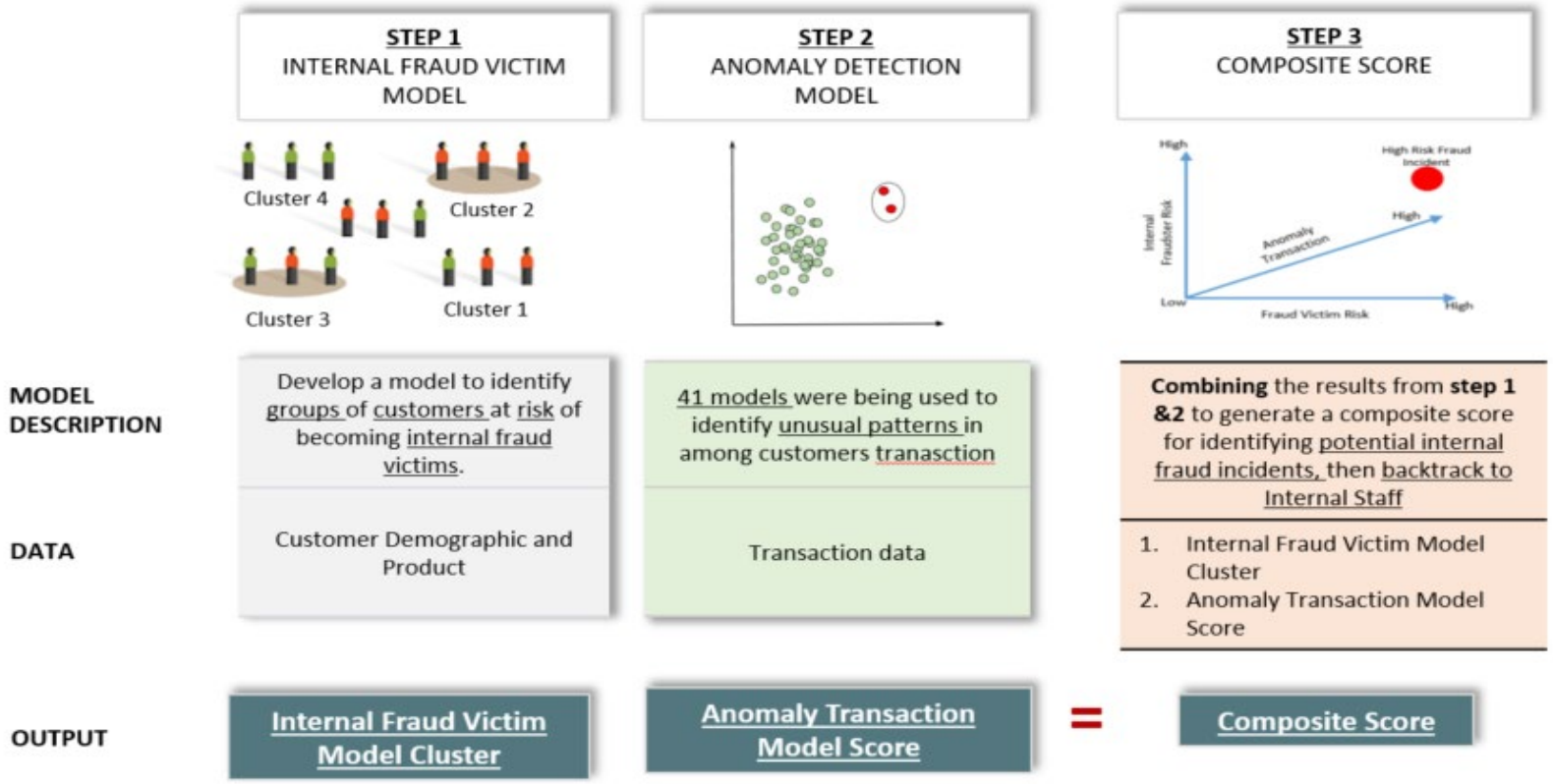


Behavioural insights driving early warning internal fraud models

Results

Based on our back-testing results, we demonstrated that:

1. The model flagged X internal staff with a high-risk customer base, which included all reported internal frausters.
2. This resulted in potential loss prevention amounting to RM x million.



Risk analytics (beyond regulatory) - Experimentation sprints – Gen AI

We conducted experiments with technology vendors to understand and exploit the capabilities of generative AI for our risk management teams, aiming to prove the value before proceeding to full implementation.

Generative AI Workshop

- Introduction to Gen-AI capabilities in banking.
- Use cases Discussed: AI Transaction Risk Credit Approval, Intelligent Portfolio Management.
- Brainstorming on Gen-AI RHB Monthly Risk Story Automation Use Case. Detailed the architecture, building blocks, summarization, top stories shortlisting, and report generation.

Generative AI GIL Analysis POC

- Experimenting with generative AI in Gross Impaired Loans (GIL) analysis.
- The objective of the POC is to test Generative AI capability to perform current trend analysis and forward-looking predictions.
- The initiative aims to complement existing GIL analysis by human analysts and automate manual tasks.

Feb' 2024 → Apr' 2024 → Jun' 2024

- Introduction to Gen-AI capabilities and related banking use cases: AI-powered Wealth Coach, summarization of financial and regulatory compliance reports
- Exploring Gen-AI capabilities in tabular data analysis, trend analysis, and provide commentary insights.

Generative AI Ideaton Session

Our big win (1) Winner of Banking Risk Management of the year, Asia Risk

Risk.net

Asia Risk Awards 2024: The winners

All the winners of this year's Asia Risk awards

POPULAR NOW

Morgan Stanley, Goldman FCMs set new margin records

Hong Kong rationalises swaps reporting requirements

UBS embraces 'narrative alpha' for new form of sentiment strategy

Bank risk management of the year: RHB Banking Group

Asia Risk Awards 2024

POPULAR NOW

LCH set to take CGBs as collateral

Morgan Stanley, Goldman FCMs set new margin records

Hong Kong rationalises swaps reporting requirements

facebook

RHB Group

1 October at 23:16

At RHB Banking Group, we prioritize our customers by preventing fraud and offering sustainable financing solutions. From innovative risk management systems to green vehicle financing, we're dedicated to protecting your interests and helping you make eco-friendly choices.

These efforts have earned us 3 prestigious awards:

- Bank Risk Management of the Year – Asia Risk Awards 2024 (Risk.net)
- Risk Culture (Runner Up) - ASEAN Risk Awards 2024 (Enterprise Risk Management Academy)
- Affordable, Sustainable Vehicle Financing – ESGBusiness.com

This recognition inspires us to keep pushing forward, doing more for you, our valued customers.

There's more to come, and we're excited to continue progressing together.

#TogetherWeProgress

1.2K 21 comments 22 shares

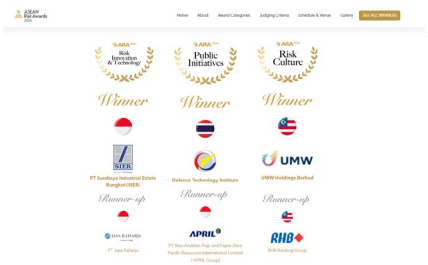
The Star

RHB clinches top risk management accolades

NATION

Thursday, 03 Oct 2024 11:53 AM MYT

RHB was named Bank Risk Management of the Year at the Asia Risk Awards 2024 at Marina Bay Sands in Singapore. Risk.net Asia editor Chris Davis (first from left), Chong (second from left) and WatersTechnology Asia editor Wong Wei-Shen (right), with RHB's senior Risk Management team at the awards event.



Instagram

Log In Sign Up

rhbcareers • Follow

rhbcareers 1w

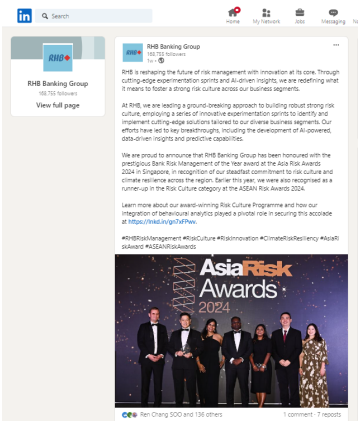
RHB is reshaping the future of risk management with innovation at its core. Through cutting-edge experimentation sprints and AI-driven insights, we are redefining what it means to foster a strong risk culture across our business segments.

At RHB, we are leading a ground-breaking approach to building robust strong risk culture, employing a series of innovative experimentation sprints

14 likes

October 1

Log in to like or comment.



Our big win (2) Runner up for risk culture category, ASEAN Risk Awards 2024

ARA 2024
Risk Culture

ASEAN Risk Awards 2024 - RHB Banking Group awarded **Runner Up for Risk Culture** category. This award is given to the organization that promotes an effective and efficient way to optimize the organizational learning process in building proactive and risk-based decision-making in every organization's individual.

Our efforts to cultivate risk culture with in-house built solution backed by behavioural analytics / insights has put us in the forefront amongst our risk peers in driving risk culture with prompt action.

The ASEAN Risk Awards 2024 is hosted by ERMA (Enterprise Risk Management Academy), a global learning center for professionals in Enterprise Risk Management. Judges were independent Board members across Europe and the ASEAN Risk Awards has been in place since 2016.

Conclusion

1. Work with first line to customize triggers / solutions to manage and mitigate risks
2. Pause and pull the plug on nonsensical reports / low value work – see what happens
3. Apply agile principles – run short sprints and experiment – Gen AI

RISK BEYOND 2024

ERMA INTERNATIONAL CONFERENCE ON ERM

Sustainable Symphony:
Echoes of Change

Terima kasih

ERMA

Risk Beyond Is Hosted by
Enterprise Risk Management Academy
www.erm-academy.org

riskbeyond.com