Dynamic risk governance that keeps pace

Enabling better decisions in a complex and rapidly evolving risk landscape

Elevating **people**.
Elevating **business**.
Elevating **society**.

South African organisations are facing a pivotal moment in the evolution of risk governance

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As digital transformation accelerates, regulatory expectations intensify, and operational ecosystems become increasingly interconnected, many financial services institutions are discovering that traditional governance structures are no longer fit for purpose. The challenge is not whether organisations have governance frameworks in place, it is whether those frameworks are capable of responding dynamically to real-world risk realities.

For years, the Three Lines of Defence model has served as the cornerstone of risk governance across the financial services sector. It provided clarity of roles, assurance separation, and a structured approach to oversight, however, the risk environment it was designed for was fundamentally different from the dynamic one in which institutions operate within today.

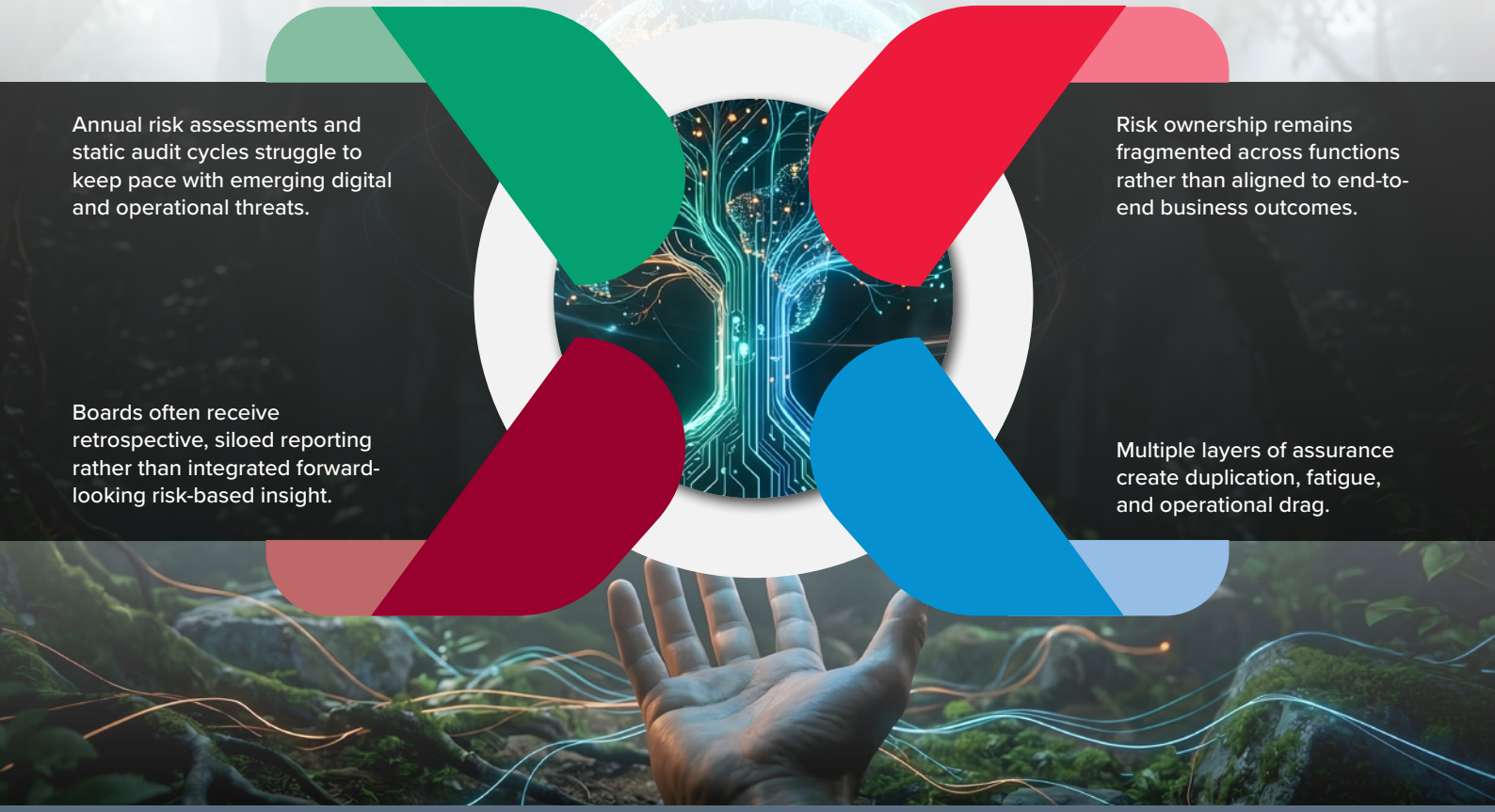
Modern risk materialises faster, is more interconnected, technology-driven, and increasingly systemic in nature. Yet many governance structures remain static, siloed, and heavily process-oriented. The result is growing governance complexity without a proportional improvement in risk outcomes.

At BDO South Africa, we believe the industry must now evolve toward what is more commonly being referred to as Dynamic Risk Governance (DRG); a more adaptive, integrated and risk-led operating model designed for the realities of modern financial services.

Over the past decade, financial institutions have significantly expanded their risk and compliance capabilities. New disciplines such as cybersecurity, data privacy, operational resilience, conduct risk, model risk management, and third-party oversight have become embedded within governance structures.

However, in many institutions these additions have been layered onto legacy governance models rather than integrated into a cohesive, responsive system.

This has created several recurring challenges across the sector:



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The consequence is a governance environment where structure has multiplied, but responsiveness has not kept pace.

South African banks and insurers in particular operate within one of the continent's most sophisticated and highly regulated financial ecosystems. Regulators including the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA) increasingly expect evidence of effective governance, not merely well-documented governance structures.

At the same time, banks, insurers and asset managers are under mounting pressure to reduce cost, accelerate innovation, improve customer experience, and strengthen resilience against cyber threats, fraud, and operational disruption.

Digital ecosystems, fintech partnerships, cloud adoption, and data-driven decision making have amplified interconnected risk exposure and systemic risk events. Traditional governance approaches, particularly those built around rigid committee structures and periodic reporting, are often too slow and too fragmented to respond effectively.

Boards are also becoming less willing to tolerate governance models that increase compliance cost without demonstrable value creation or improved resilience.

This is where Dynamic Risk Governance (DRG) can add pragmatic value to organisations. DRG is an operating model that repositions governance around the nature of the risk itself; its velocity, interconnectedness, materiality, and tolerance thresholds.

DRG asks "What governance response does this specific risk require?" The question is holistic and risk-focussed, as opposed to being centred on a line of defence or governance structure, and it attempts to aggregate risk mitigation and assurance processes to achieve risk management.

This shift fundamentally changes how financial institutions will approach oversight, accountability, and assurance.

The model introduces three fundamental changes to how organisations should design and run their risk governance structures and processes:

Risk-tailored governance

Not all risks require the same governance intensity. Different risks demand different governance responses.

High-impact risks such as financial crime, regulatory reporting, model risk management and cyber resilience require deeply controlled, highly monitored governance structures. By contrast, innovation initiatives and digital experimentation require more agile governance with faster escalation mechanisms and adaptive oversight.

Dynamic Risk Governance replaces uniform governance models with calibrated governance responses aligned to risk characteristics and organisational maturity.

Activity-based accountability

Traditional models assign accountability broadly: "ownership", "oversight", "independent assurance". DRG assigns accountability at the level of specific risk management activities, including risk sensing, control design, monitoring, escalation, and assurance – at a risk-by-risk level.

This approach creates far clearer decision ownership, while preserving the independence and integrity of assurance functions and strengthening genuine business ownership of risk, rather than allowing accountability to become diluted across governance and assurance layers.

Digital-first governance enablement

DRG places technology at the centre of governance design and implementation, and it relies on continuous monitoring, integrated analytics, automated controls and risk processes, and a connected Governance, Risk and Compliance (GRC) platform to provide real-time and consistent visibility across the enterprise. DRG, therefore, is not possible without digital enablement and centralisation of risk reporting, rating and tracking – typically via an integrated GRC tool or platform.

This allows institutions to move from periodic reporting toward proactive risk sensing and earlier detection and intervention. In practical terms, it reduces manual effort, improves responsiveness and directly addresses the assurance fatigue many organisations experience today.

What this means for Boards and Executives

For Boards, DRG provides a more holistic and forward-looking view of organisational risk exposure.

Instead of fragmented reporting across isolated committees, Boards gain clearer insight into interconnected risks, emerging vulnerabilities, governance effectiveness at an individual risk level. Boards and Executives are able to quickly understand whether governance intensity aligns appropriately with strategic priorities and risk appetite.

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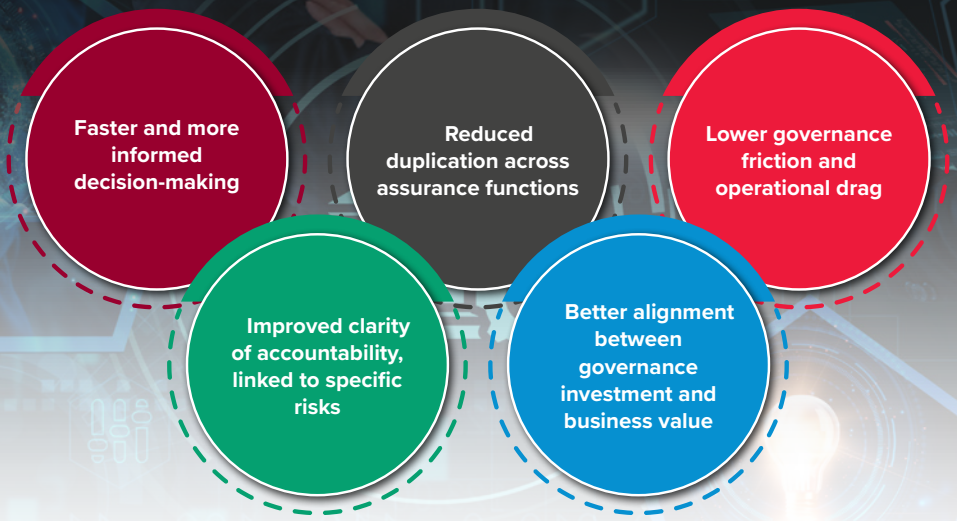
For Executives, the benefits are equally significant:



This enables institutions to improve resilience while managing governance and assurance costs more effectively, whilst shifting the risk management focus from an output-based to a value-based approach.

Dynamic Risk Governance is not a rejection of established assurance principles and lines of defence principles. Rather, it is the natural evolution of governance and risk management in response to a rapidly changing risk environment.

South African financial institutions have an opportunity to move beyond traditional governance structures designed for stability and retrospective review, and adopt operating models designed for adaptability, resilience, and speed.

Those institutions that successfully make this transition will be better positioned to strengthen regulatory confidence, improve operational resilience, enable innovation responsibly, and make faster, better-informed decisions in an increasingly complex and dynamic financial landscape.

How can BDO assist you on your DRG journey?

A practical, phased approach to Dynamic Risk Governance

STEP 1 — Risk Governance Diagnostic

- Assess current governance structures
- Identify silos and gaps
- Evaluate governance effectiveness and risk coverage

STEP 2 — Risk-Tailored Governance Design

- Design governance frameworks aligned to your risk profile
- Align accountability and governance intensity
- Meet regulatory expectations

STEP 3 — Board & Executive Enablement

- Improve visibility of interconnected risks
- Strengthen oversight and governance effectiveness
- Enable faster, more confident decision-making

STEP 4 — Digital Risk Enablement

- Modernise and integrate GRC tooling
- Implement continuous monitoring
- Automate controls and risk management
- Reduce assurance costs while improving resilience

The BDO Advantage

- Governance expertise
- Regulatory insight
- Technology-enabled risk management

RESULT:
Agile, transparent and future-ready governance that enables true Dynamic Risk Governance.