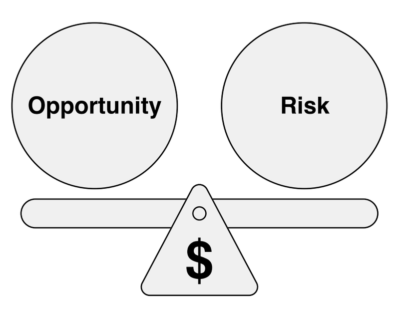
Minimum acceptable maturity

Risk management or innovation? You can do both.

Innovation isn't risk-free.

New products and services bring risk. But waiting on perfect conditions or end-stage risk management can cost a bank its competitive edge. Balancing potential risk and risk management capabilities is possible with a minimum acceptable maturity approach.



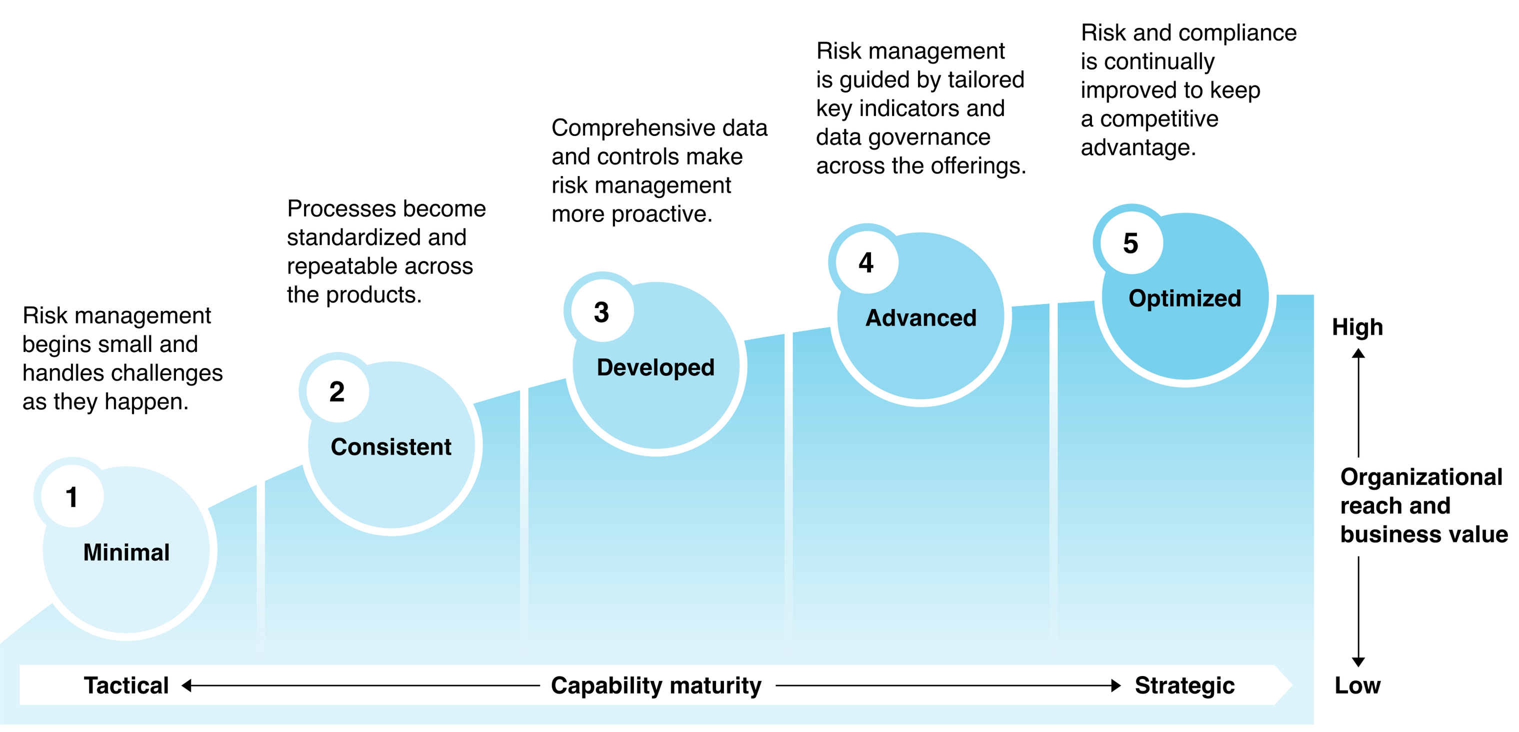
Establishing common ground comes first.

A healthy interplay between innovation and risk and compliance management doesn't happen accidentally. Striking a balance between risk and reward can occur in banks that have:

- **Strong and comprehensive second-line awareness**
- **An appetite for change across the lines of defense**
- **A culture of cooperation and empowerment**

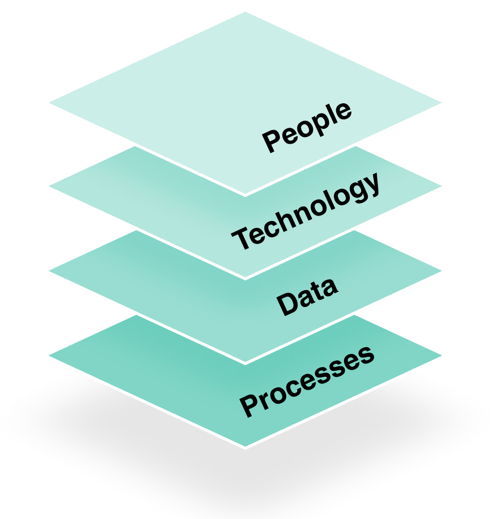
Minimum acceptable maturity offers right-sized risk.

When banks start with confidence and collaboration, product launches can happen quickly – without creating too much potential exposure. Minimum acceptable maturity is when teams decide the maturity level of risk management necessary in each phase of the launch. This method allows assessments of processes, systems, and controls to scale so offerings stay in line with regulatory expectations and risk appetites:



Early and ongoing risk management makes scaling quick and sustainable.

Here's how minimum acceptable maturity can help a new product or service through the various phases of its life cycle:



Phase 1 – **Development**

Start development on the same page.

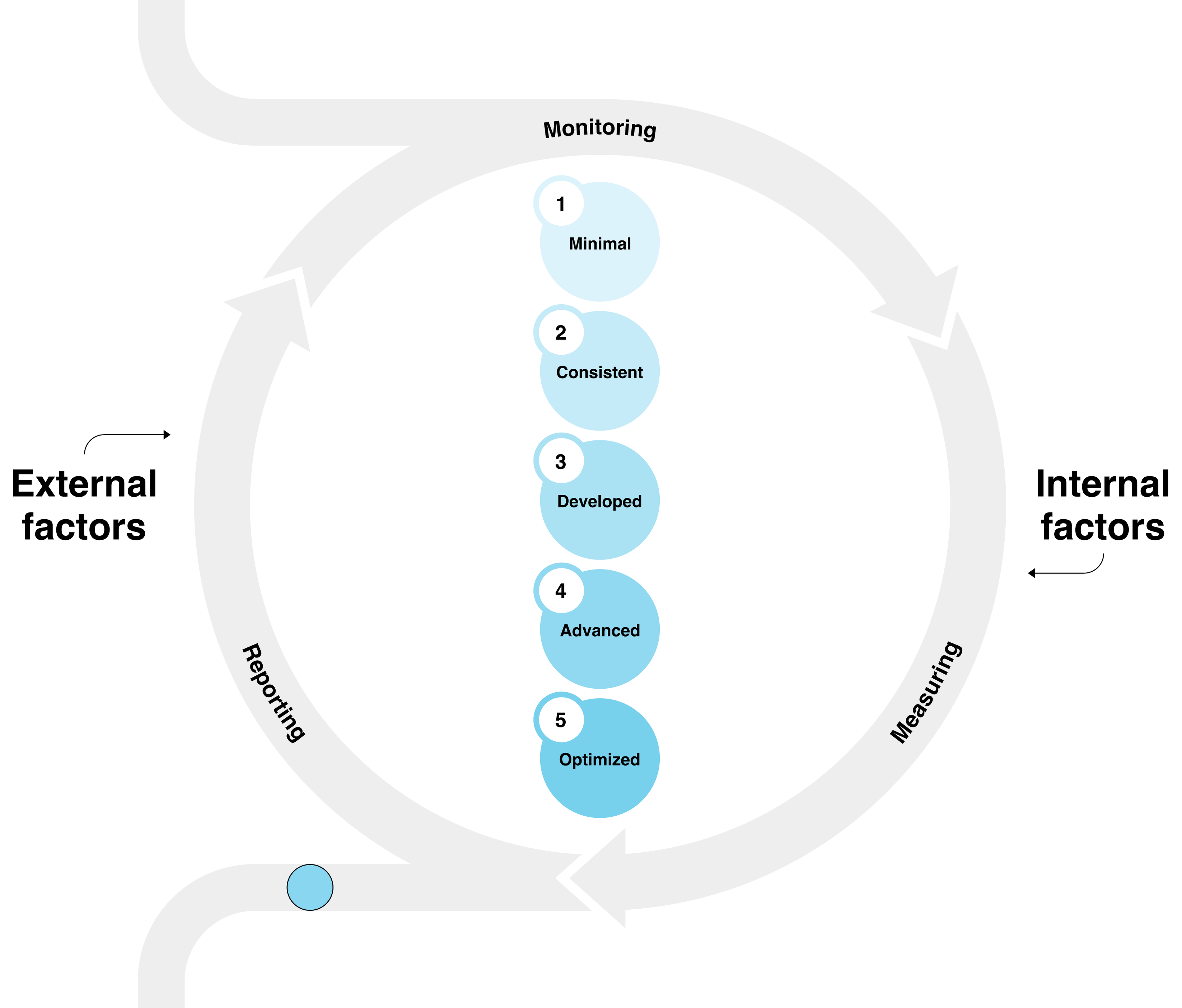
Consistency and clarity help inform the bank's definition of an acceptable amount of risk. Teams can set expectations for metrics and methodologies for monitoring, risks within taxonomies, thresholds for action, the sophistication and type of tools, and final-stage requirements.

Phase 2 – **Launch**

Learn and grow without overstepping controls.

Testing and assessments are crucial for growing offerings. These checks can help safely address variables such as customer base, vendors, distribution channels, and investments.

Potential risk increases at each stage of the life cycle, and so should the controls and governance regarding critical areas of risk across bank operations. Such critical areas include third-party risk, model risk, consumer protection, privacy, anti-money laundering, and credit risk, among many others. But not every area needs to reach the most optimal level when a developed or advanced level could suffice.



Phase 3 – **Integration**

Be confident your products and services are ready for business as usual.

Products and services are ready for full integration into bankwide risk and compliance measures when:

1. Decisions are made with an understanding of the larger risk effects
2. The offerings can operate in the market without too much exposure
3. Incremental investment and ongoing risk management are in place

Crowe can help develop risk maturity at the scale you need.

A solid risk and compliance framework can make minimum acceptable maturity a realistic option for banks. Crowe specialists can show you how to develop a strong second line so your entire organization can make smarter decisions with innovations.

Explore smarter growth

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