



A 1LoD Report



## Culture & Conduct

DEEP DIVE

Forecast 2026

# Risk Culture at a Crossroads: Technology, Behaviour, and the Expanding Scope of Conduct Oversight

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# Risk Culture at a Crossroads: Technology, Behaviour, and the Expanding Scope of Conduct Oversight

## Key takeaways

Risk culture is entering a more complex phase driven by technology, new communication channels, and evolving regulatory expectations

Monitoring expectations are expanding beyond market abuse to cover broader conduct and cultural risks

Effective culture governance requires combining quantitative indicators with qualitative insights into lived experience

Regulatory recalibration is creating uncertainty, but firms are largely maintaining established culture and conduct frameworks

Behavioural drivers and middle management decision-making are emerging as critical determinants of culture outcomes



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## **Risk Culture at an Inflection Point: Navigating Growth Pressures, Behavioural Change, and Emerging Conduct Risks**

The opening discussion at the Culture & Conduct Deep Dive explored whether the industry had been losing momentum on conduct and risk culture, and it largely concluded that the opposite had been happening: attention had been widening, with new technology, new channels, and shifting regulatory signals complicating what “good” looked like in practice. The opening remarks framed the landscape as more complex than the pre-Artificial Intelligence (AI) era, as surveillance expectations, outcomes, and tooling had been changing in tandem. “The complexity has increased, the outcomes have changed, and more importantly, the regulatory expectation is moving,” said one speaker.

A key thread was that recent shifts in the United States regulatory environment had created a sense of recalibration rather than a clean rollback. Participants described monitorships reducing, regulator headcount being streamlined, and an increased emphasis on self-reporting and cooperation. At the same time, there was a “back-to-basics” enforcement posture, with renewed focus on insider dealing and market manipulation. The discussion positioned this as creating organisational “whiplash”, where compliance leaders were repeatedly asked whether controls still needed to be maintained amid changing enforcement messages: “We are constantly now being asked: Do we still need to comply with this? Is anyone going to enforce this?” said one speaker.

Despite that uncertainty, the discussion suggested that firms had not been relaxing standards in any meaningful way, partly because leaders expected priorities could swing again and partly because programmes had matured and become embedded. The panel described substantial progress since earlier waves of conduct and culture scrutiny, including expanded frameworks, better committee engagement, and more consistent training. “We have all done a great job of putting together our frameworks, and this has expanded in recent years” remarked a speaker. Yet there was also a warning that any dilution would likely arrive as a gradual “silent reprioritisation” rather than an explicit statement that culture mattered less. “We might still have our policies in place, but decisions at the moment tend to tilt toward speed or cost savings,” another speaker said. The risk, they argued, was that exceptions could become routine, training could be deprioritised, and escalation pathways could weaken.

The discussion then broadened from policy and governance into technology and monitoring scope. A central claim was that regulators were becoming less tolerant of blind spots in voice and language coverage, and that accurate transcription and translation made voice monitoring more achievable and increasingly expected. “Proper voice monitoring is now becoming a requirement,” said one speaker. This was tied directly to conduct risk, including non-financial misconduct



such as harassment and bullying, which the panel suggested often surfaced most in voice channels. As a result, the panel described a shift away from monitoring only for market abuse, towards monitoring for a broader conduct and culture taxonomy across much wider populations.

Reputational risk was repeatedly described as the fuel for this widening approach. Participants argued firms feared public fallout more than ever, driven by social media amplification and the speed of reputational contagion. "There has never been a more important time for firms to have a focus on their reputations," said one speaker. The scenario of misconduct appearing in the press was framed as a defining anxiety, pushing firms to pull more employees and more channels into scope. One panellist noted that "this push has had an effect of bringing wider populations into the scope of monitoring." The panel claimed some large banks were now targeting an ambition of universal coverage because AI made it conceivable at scale. "For some US firms, the goal has changed, and many are targeting to bring 100% of their employees into the scope of monitoring." The speaker continued, "that level of monitoring can only ever take place with the use of AI."

From there, the conversation moved to off-channel and social media activity. The panel treated employee conduct as extending beyond working hours and corporate systems, with firms increasingly exploring capture of employees' social media activity—sometimes not for routine review, but for rapid retrieval when concerns were triggered. LinkedIn in particular was discussed as "feeling safe" while still hosting risks in direct messages and posts because it was tethered to an employer brand. "Channels like LinkedIn might feel safe, but because of their grounding in the professional sphere and the attachment to an

organisation - with signs of misconduct, both financial and non-financial, they may be lurking in those direct messages or posts, and they can be easily missed," said one speaker.

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*It's important not to wake up in 5 years' time realising that that was the defining moment when things changed for the worse.*

A practical tension emerged around uneven adoption: the panel referenced a split between firms that captured employee social platforms and firms that did not, alongside the inevitable collision with data privacy considerations and varied risk appetites. "You're going to get into data privacy issues as well, certainly as the regulators feel more active in this space. Organisations are doing everything in their power to protect themselves.," said one speaker. The debate also stressed that "good" looked different firm-to-firm depending on business model and tolerance thresholds, and that technology enablement needed to map to those choices.

The discussion returned to culture as an organisational capability rather than a compliance add-on. Participants argued that culture work was cyclical and vulnerable to dips when regulatory pressure felt lower, yet the danger was only visible in hindsight because enforcement lagged. "Enforcement takes a long time to come to fruition. There's a long lead time from when



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something bad happens to when you see the end results, or what went wrong. It's important not to wake up in 5 years' time realising that that was the defining moment when things changed for the worse.," said one panellist. Several speakers stressed that strong growth agendas created an inflection point where judgement, conflicts of interest, and misaligned incentives became harder to manage. "Judgment is what's going to matter most," said one speaker. They suggested behavioural science and lived, everyday management behaviour were the next frontier, yet still underdeveloped and inconsistently located across the 3 lines of defence. "We've never quite decided in which line of defence culture and behavioural management should sit," they said. "Middle management living and breathing good culture is the key," another speaker added to the conversation.

Finally, the opening discussion touched on incentives. It argued that financial penalties and disciplinary consequences had become sharper post-off-channel communications enforcement, while positive reinforcement remained underused. "People respond to what organisations reward, not what they say," added a speaker. The debate closed on the idea that firms needed to balance deterrence with visible recognition of good conduct, and that boards increasingly viewed culture metrics, including external indicators, as strategically meaningful. "The board is now looking at employee oversight as such a valuable metric," stated a panellist.



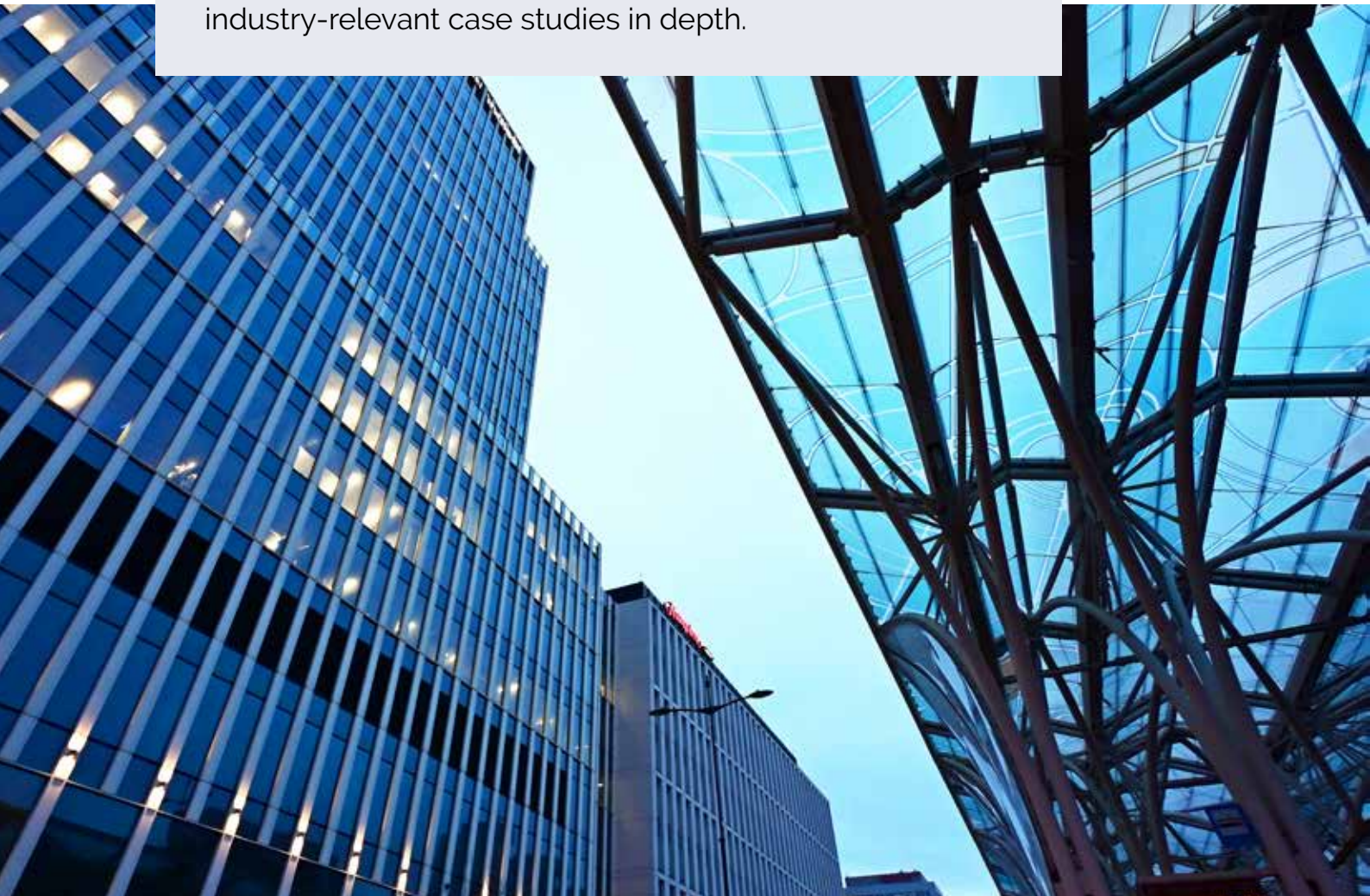
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# Unpicking Culture & Conduct in Financial Services

10-MINUTE CASE STUDIES SESSIONS

The next session brought together four senior culture and conduct experts to examine a series of four current, industry-relevant case studies in depth.



## CASE STUDY 1:

### Why culture programmes stalled, and how banks broke through

A global financial organisation had appeared, on paper, to be in a strong cultural position. It had frameworks, clearly articulated values, high training completion, and positive staff survey results, so senior leaders had believed the culture agenda was landing well. However, audit and regulators had continued to raise recurring concerns about inconsistent decision-making and weak risk escalation, prompting the Chief Risk Officer (CRO) to question whether day-to-day behaviours aligned with the stated culture.

Middle managers had described being squeezed by competing priorities: revenue, customer retention, onboarding speed, quality, and regulatory obligations. Under pressure, they had made pragmatic trade-offs that reduced timely escalation because escalation created friction, delays, and personal downside. "We understand that it's important to escalate risks, but if I do that, there's a delay in the process, it will get back to me, and it will hurt my internal reputation, so I'm not going to do it because the cost is too high," said one presenter, highlighting a common consensus among middle managers.

Instead of repeating communications on values, the intervention had redesigned key decision moments. Conduct considerations were embedded into onboarding exceptions, requiring explicit rationales and mitigants. Governance was rewired so committees reviewed exception patterns, paused when thresholds were breached, and assigned monitoring ownership. Escalation was also reinforced through performance conversations and consistent leadership messaging. Although cycle times initially increased and some pushback followed, the organisation had seen earlier escalation, fewer "surprise" findings, and more operational, concrete culture discussions.

## CASE STUDY 2:

### Where behaviour met technology risk and resilience (APAC composite case)

In an APAC setting, one institution saw repeated technology and data issues persisting despite strengthened controls, procedures, reminders, and consequence management. The work had concluded that a purely control-led approach had not addressed the behavioural drivers that shaped everyday decisions in technology delivery and operations. The objective had been to identify what, in the real "shop floor" context, had encouraged risk-creating shortcuts and avoidance of ownership.

The review had been structured and time-bound, taking roughly 9–10 weeks end-to-end. It had combined scoping, fieldwork, analysis, and reporting, using confidential conversations, focus groups, a tailored survey, and a desktop review of formal mechanisms influencing behaviour. The approach had leaned on situation-based questioning to capture moments where staff did not challenge, did not speak up, or chose speed over assurance. The presenter commented that for organisations the key was to understand and acknowledge "what was the last time you did not express a doubt whilst you had it, and how come, and what was your line manager doing, and what were your colleagues doing?"

Findings had highlighted drivers such as heavy-handed consequence regimes that encouraged staff to avoid accountability, deference to hierarchy that inhibited challenge, and a delivery push paired with low empathy that encouraged rapid fixes without adequate testing. Interventions had then focused on proportional consequence management, contextualised deterrence, leadership development, and effect measurement. This had increased willingness to take ownership, improved challenge of unrealistic timelines, and strengthened resilience by making safer behaviours easier in practice.

## CASE STUDY 3:

# Unpicking culture and conduct in internal audit

From within group internal audit, the case study had shown how culture risk and conduct risk were investigated differently, even when they overlapped in root causes. Conduct had been framed as investigating discrete misconduct against standards and outcomes, whereas culture risk had been framed as identifying patterns likely to drive future issues, including the strength of positive behaviours that mitigated risk before it materialised. "Conduct teams are like the police, but culture risk is like a weather forecaster, looking at patterns, asking whether tomorrow is a sunny day or a storm," said the presenter.

The audit approach had also countered the misconception that culture could not be measured. Culture had been assessed by observing behaviours over time, tracing outcomes, and converting unstructured information into evidence-based patterns. A three-layer model had been used: broad analytics via a culture risk "radar" drawing on internal datasets and language tools; a "culture risk opinion" captured at the close of every audit where auditors recorded observed positive and negative behaviours; and targeted deep dives led by a small expert team who "hitched a ride" on selected audits to conduct confidential interviews across seniority levels and produce thematic reports.

Themes had rotated annually for example, self-risk awareness, then change and transformation management, then innovation. Outputs were synthesised into an annual report for a board-level committee, improving visibility and enabling earlier intervention where psychological safety, escalation, or constructive challenge appeared weak.





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## CASE STUDY 4:

# The stories behind the stats, and why culture went wrong

The final case study argued that quantitative metrics in conduct governance had described 'how many', but rarely explained the 'why'. Risk indicators could be late, shaped by a 'hockey stick' pattern where problems crept, then escalated suddenly. The recommended counterbalance had been systematic collection of qualitative stories and early behavioural 'tells' such as awkward silences, corridor conversations, presenteeism, self-editing, fear-driven compliance, and bystanding. "Stakeholders aren't actively supporting you, they're offering conditional tolerance, putting up with you and waiting for a better offer," said the presenter.

In a large international bank, survey-based culture metrics had looked broadly reassuring, with a large "amber" middle. The design had forced staff into limited Likert choices (a range of scaled, ordered responses, used to measure attitudes, agreement, or frequency), leading many to select "sometimes" as a safe opt-out rather than sharing lived experience. Leadership then commissioned in-depth interviews across the organisation to uncover the narratives beneath the numbers and to observe verbal and non-verbal tells.

The interviews had revealed not rampant misconduct, but disengagement and "quiet self-exclusion": people had valued ethical intent and socially positive investment, yet had felt unable to discuss, interpret, and deliver on values. "It's great that we have this value system, but without the opportunity to have an intelligent conversation about it, it's all just writing on the wall," remarked the presenter.

The bank had responded by creating regular team-level forums that rewarded constructive challenge and new ideas, treating stories as governance intelligence rather than anecdote.

## What Can We Learn About Risk Culture from Other Highly Regulated Industries?

The final panel discussion explored what financial services could learn about risk culture from other highly regulated industries, with discussion framed by examples from accountancy, healthcare, aviation and the nuclear sector. The moderator set up a central tension: banking was often assumed to be unique because it explicitly took risk to generate profit, whereas other sectors appeared to focus on eliminating risk. The debate pushed back on that assumption, arguing that every regulated industry accepted some residual risk and therefore faced a similar cultural challenge: how organisations made risk real, visible, discussable, and actionable rather than leaving it as a set of policies on paper.

*Risk was handled through recognising hazards, prioritising them, applying mitigations, and then consciously deciding whether the remaining exposure was acceptable.*

One theme was that risk culture was not best understood as a static definition, but as a living system that shaped decisions under pressure. The panellists suggested that organisations increasingly judged culture through concrete incidents and near-misses rather than formal value statements. The conversation emphasised how culture revealed itself in operational moments: whether bad news travelled upwards quickly, whether uncomfortable truths were escalated or absorbed, and whether staff relied on “how things are done around here” instead of following documented procedures. “The real test of culture is how quickly bad news travels upwards,” remarked one speaker.

Another major finding concerned the limits of ‘compliance culture’. In the nuclear context, the term “risk culture” appeared less common, while “safety culture” dominated because safety was treated as the overriding priority. The panel described “compliance culture” as a worrying frame because it encouraged organisations to anchor themselves to minimum requirements, creating the risk of a tick-box mentality rather than a culture of excellence. The discussion implied that banks recognised similar dangers when compliance became theatre rather than substance.

A cross-industry point was that risk culture was inseparable from organisational design and incentives. The panel highlighted how incentives and hierarchies could generate unintended behavioural outcomes, including corner-cutting and the unequal punishment of breaches. A panellist contrasted what organisations said they expected with what

people actually did in practice, pointing to the way informal norms could override control frameworks. In their view, culture was the behavioural reality sitting underneath controls: everyone might know the rules, yet people still made shortcuts if the environment rewarded results more than discipline. “Everyone knows what they should do in a theoretical environment, but how do people actually act in the real world? That is the real question organisations need to grapple with,” concluded one speaker.

One panellist described a structured risk mindset rooted in systems thinking, using a framework that linked individuals, technology and organisation. Risk was handled through recognising hazards, prioritising them, applying mitigations, and then consciously deciding whether the remaining exposure was acceptable. This approach was presented as universal rather than sector-specific, because complex systems in any industry required clear thinking about human factors, technological constraints and leadership behaviour. “Risk is not zero, and it needs to be mitigated and addressed in a controlled manner,” said one speaker.

The panel also tackled measurement. One speaker argued that culture was hard to audit because the most important elements were often unseen until something went wrong. A practical concern was “cultural drift”, where informal practices slowly diverged from formal procedures. The nuclear sector response emphasised competence systems, training evidence, supervision, and behaviour observation programmes, while acknowledging that deviations

still occurred and often signalled overly complex or outdated procedures. The debate suggested that organisations needed both detective and preventive capabilities: events could reveal weak culture, but the goal was to spot drift before incidents happened.

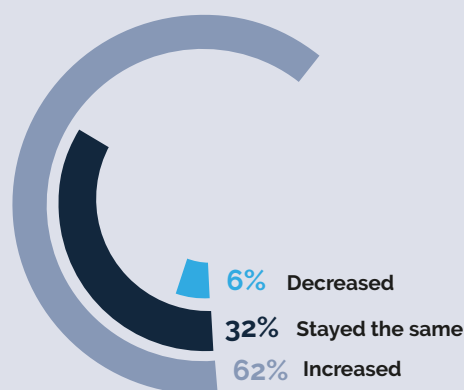
A particularly vivid illustration came from Fukushima. One panellist described how a deep belief in "zero risk" could override expert judgement, even among specialists who understood the maths. In the account given, cultural assumptions became so dominant that technical warnings were psychologically discounted. The discussion also linked this mind-set to reluctance to run realistic emergency exercises, because such drills might alarm the public and undermine the narrative of safety. The broader implication was that cultures which prized reassurance over candour increased vulnerability.

Finally, the debate turned to behavioural science and monitoring. Banking examples included trader profiling that combined transactional monitoring with broader behavioural indicators, such as missed training or unusual working pattern, to prioritise risk signals. The nuclear panellist argued that measurement alone was insufficient and that trust and participation mattered: organisations strengthened culture by creating "shared space" where more people spoke, surfaced concerns, and engaged with risk as a collective responsibility. This human-centred approach was framed as proactive culture-building, not just monitoring for wrongdoing. "Shared space creates an environment where you can actually hear everyone," concluded one participant.

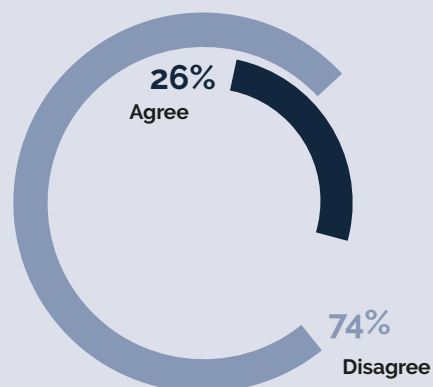
This information was taken from the Culture & Conduct Deep Dive on 3 March 2026.

## Is the Industry losing 'Sting' for Risk Culture?:

I think that over the past year, the priority of the Conduct and Culture agenda at my firm has:



At my firm, we see 'conduct risk' as something that is distinctly different to the idea of 'risk culture'



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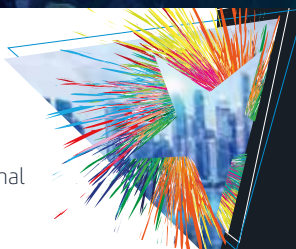
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