



The CRO Brief

Risk as Competitive Advantage

Experience-driven insights for Chief Risk Officers and senior executives seeking to align risk with strategy and performance

★ S1 - Issue Five, Don't Be Tempted to Take on First Line Accountabilities

Series One: From Compliance to Commercial Risk Leadership

At some point, almost every risk function faces the same temptation.

An issue persists. A control is weak. The business is slow to respond. The consequences feel increasingly material. In that moment, the instinct to step in is strong.

It often feels like the responsible thing to do. If something matters, surely the risk function should ensure it is addressed.

But this is where many organisations, with the best of intentions, create a much bigger problem.

Because the moment the second line begins to take on first line accountabilities, the foundations of effective risk management begin to erode.

When risk teams step into execution, accountability shifts — and performance suffers.

Accountability must sit with those making the decisions.

The Slippery Slope

Despite this, risk teams are often drawn into execution.

It usually starts with good intent. A control is redesigned centrally. A remediation plan is driven by the risk function. A register is maintained outside the business to ensure consistency. Over time, the second line becomes increasingly embedded in delivery.

What begins as support gradually becomes ownership.

This creates a subtle but important shift. The risk function moves closer to making the decisions it is meant to oversee, and further away from its role of oversight and challenge. The organisation may feel more controlled in the short term, but structurally it becomes weaker.

The behavioural effects are predictable because accountability is what ultimately drives behaviour.

Accountability Drives Behaviour

When the second line steps into the first, the business adapts. Issues are escalated rather than resolved. Ownership becomes less clear. A mindset begins to form that risk will ultimately “catch” or manage the exposure.

This is not a failure of individuals. It is a natural consequence of blurred accountability.

If risk functions take on elements of first line accountability, they can find themselves absorbing downside accountability, while the first line retains the upside. The second line absorbs increasing expectation to prevent failure.

This creates a structural imbalance that is neither sustainable nor effective.

What the Frameworks Say

APRA's Prudential Practice Guide CPG 220 (Risk Management) reinforces the need for clear delineation of roles across the three lines of defence, with the first line accountable for managing risk and the second line responsible for oversight and challenge.

Regulator accountability regimes have gone further. In Australia the Banking Executive Accountability Regime (BEAR) which has now extended to The Financial Executive Accountability Regime (FAR) assigns explicit accountability to senior executives for the risks arising within their areas of responsibility. In the UK, the SMCR operates on the same principle — accountability is clearly allocated to named individuals at the first

line. Each of these regimes sets accountability at the executive level, with the expectation it is clearly cascaded through the organisation.

Enabling Decisions not Substituting Them

This is where commercial risk leadership becomes critical.

Risk functions add the most value when they enable better decisions — not when they substitute for them.

Their role is to shape decisions, not own them.

When this balance is maintained, organisations benefit from both effective oversight and strong execution discipline.

When it is not, they risk becoming slower, less accountable and more exposed.

What This Means for Executives

For Boards and Executive teams, the implications are clear.

If accountability does not sit with those making decisions, behaviour will not change. The feedback loop between decision and consequence is weakened, and risk becomes something that is managed by a function rather than owned by leaders.

The first line is uniquely positioned to balance risk, return and execution trade-offs. Removing accountability from that environment reduces decision quality and weakens ownership of outcomes. It also deprives the organisation of the opportunity to learn from direct — and sometimes confronting — feedback.

When accountability is unclear, issues are more likely to be escalated than resolved. Controls are less likely to be owned. A perception can emerge that risk will ultimately intervene if something goes wrong. This weakens the organisation's risk culture.

And dependency is the opposite of resilience.

Once risk functions take on delivery responsibilities, their ability to provide effective challenge is compromised. Independence is diluted, and the constructive tension that underpins strong governance begins to erode.

This is not just a governance issue — it is a performance issue.

Organisations that maintain clear accountability tend to make better and more timely decisions, respond more effectively to emerging risks and build stronger organisational capability over time.

Practical Takeaways

Do not allow risk teams to take on first line accountability, even with the best of intentions.

Ensure accountability sits with those who make decisions — and benefit from the outcomes. Reinforce this through governance, performance management and incentive structures.

Be explicit about the distinction between ownership and oversight — and protect the independence of the risk function.

Recognise that risk management is most effective when it strengthens decision-making rather than replacing it.

Strong risk outcomes do not come from transferring accountability. They come from ensuring the right people own the right risks — and are equipped to make better decisions in line with appetite.