

Risk Management at Fintechs & Startups:

How to let your risk management evolve with your business complexity

A scalable risk management framework for high growth Fintechs and Startups

A risk management framework sets the risk governance structure, key risks, how to assess and measure these risks, as well as how to mitigate it and what your risk appetite is.

High growth Startups and Fintechs often find out too late that their initial risk management structure, controls and processes are no longer adequate for the phase they're in. Consequences are financial losses, loss of reputation or even bankruptcy. LendingClub (2016), Wirecard (2020) and LCF Financial (2019) are some well documented cases where poor risk management caused losses or even worse, such as financial collapse or bankruptcy.

A scalable risk management framework helps to avoid these situations as it evolves along with the complexity and growth of the business, leading to a proactive approach of your risk management.



Practical tips how to implement a scalable risk management framework

In the initial phase when you create a risk management framework, you agree on key risks, controls, mitigation, structure and risk appetite on which you report regularly.

But to make the risk management framework scalable and proactive, you also build a dashboard with early warning indicators, such as actual risks losses, transaction volume, number of products, back logs, processing failures, complaints, incidents, cyber events, near misses, 3rd party issues, emerging risk trends, regulatory requirement changes, just to name a few.



This dashboard is created with the aim to identify triggers to indicate that you might need to scale up your risk management practice. When the dashboard hits certain pre-agreed levels, this is a trigger to look at root causes which can concern process complexity, double hatting, mitigation measures, key risk types and controls. You implement new or improved controls, measures, processes, or whatever you decided to tackle the root cause of the increased risk profile. Also, don't forget to critically look wherever you can delete ineffective or obsolete measures, structures or controls, as it is easy add and before you know, you're stuck with an overburdened and ineffective risk management process.

Then refresh the early warning dashboard reflecting the current status with possibly new metrics or trigger values.

About Redefi Consultancy

Redefi Consultancy is based in Prague, Czechia and has an unique focus. We are specialized in providing innovative solutions for Risk Management organizations. Whether you are a well established Financial Institution, a Fintech or a Startup, Redefi can help you in delivering tangible risk management results and improvements. Experience the power of redefinition with Redefi.

Want to learn more? Let's connect.



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