**Scenario: Challenges at Meridian Financial**

Meridian Financial, a regional bank with a strong foothold in commercial lending and wealth management, had been enjoying steady growth over the past decade. The bank was known for its innovative financial products and close relationships with clients. Riding on the waves of success, Meridian recently expanded its services, introducing new investment products and entering unfamiliar markets.

As the bank grew, so did its workforce. New departments were formed, and teams expanded rapidly. Employees were enthusiastic about the bank's direction, but with rapid growth came complexities. The bank's internal policies have been quickly updated to reflect the new products and services. The emphasis was on getting the policies out as fast as possible to keep up with the pace of growth. Many staff members found themselves uncertain about procedures and expectations. For example, a junior loan officer was unsure whether she had the authority to approve a certain type of loan, as the policy manuals she referenced were outdated in parts and did not cover the new lending products.

The Risk Committee agendas were crowded with detailed review presentations with little time for in-depth discussions. As a result, attendance by the business heads was sporadic. In one of those meetings, a lending limit had been breached but not resolved and there was no escalation since the Head of Commercial Banking assumed the Risk department would escalate, while the ORM Head believed this was the job of the Commercial Banking Head.

The Compliance Department and the Risk Management Team occasionally found themselves working on the same issues without coordination. In one instance, both teams conducted separate assessments of the same regulatory requirement, leading to duplicated efforts and inconsistent findings.

Sales targets were aggressive, and managers emphasized the importance of meeting them. Some staff felt pressured to prioritize closing deals over following formal procedures and had to bend the code of conduct to get the deals completed. In one department, a salesperson bypassed certain verification steps to expedite a client's investment, believing that securing the deal was most important. When this was brought to the manager's attention, it was brushed aside since the client was well known to him and besides with this large deal, they would be exceeding quarterly targets, meaning bigger bonus!

The bank operated in a regulatory environment that was becoming increasingly stringent. New regulations require banks to enhance their risk management and compliance frameworks and report more detailed information. Meridian initiated a review to assess its compliance with these regulations. A team was assembled to compare existing practices with the new requirements. The initial review highlighted several areas needing attention. After the initial assessment, the team passed on their findings to Business Management to close the gaps, and then were reallocated to work on other pressing issues.

However, as weeks turned into months, progress on addressing these areas stalled. The Implementation Team members were pulled into other urgent projects, and there was confusion about who was responsible for following up on specific action items. Deadlines were missed, and updates were sporadic. When team members raised concerns about obstacles hindering their progress, such as insufficient resources or unclear directives, these issues were noted but not escalated to higher management for resolution. None of these issues made it to the agenda of the Risk Committee

Meanwhile, the bank's leadership remained focused on expansion and financial performance. In meetings, discussions centered around entering new markets and outperforming competitors. There was a general sense of confidence that the bank's strong performance would continue, and less emphasis was placed on internal processes or regulatory changes. Senior executives believed that their existing relationships and reputation would carry them through any potential challenges.

Amid these developments, a few long-standing employees began to feel uneasy. They recalled times when the bank had navigated challenges by adhering strictly to its policies and valuing transparency. Now, they observed that newer employees were less familiar with the bank's traditional practices, and there seemed to be a shift in priorities.

One day, an incident occurred where a significant transaction faced legal complications due to overlooked regulatory requirements. This caught the attention of some board members, prompting questions about how the bank was managing its risks and compliance obligations. The board requested a comprehensive report on the bank's Risk Management Governance Practices.

**Case questions.**

Your task is to create that comprehensive report and discuss it at the next board meeting. Include in the report:

What are the major hidden assumptions driving the behavior of senior management

Identify the major Governance issues at Meridian Financial

Create a remediation plan for each of these issues.