Speech Jan Berndsen bij BecBeLeaders in Finance / Risk - CRO-event, 30 oktober 2025

Gesproken woord geldt

General message: risks don't disappear, they change shape, and tend to hide where you don’t see them. And it's precisely in times of calm and bullish sentiment on the financial markets while the world geopolitically is on fire and in transformation that we must be vigilant. We—regulators and you—must identify risks in time and take action. You play a crucial role; as a watchdog and as a system custodian.

From Fragility to Foresight: The CRO’s Role in a Transforming Financial System

- Dear attendees,
- It’s an honor to speak to you — the Chief Risk Officers who stand at the crossroads of transformation and resilience.
- For those who do not know me, my name is Jan Berndsen. I am Head of the Account Supervision & Fit and proper Assessments Department at the AFM.
- My department plays a role in ensuring the integrity and quality of individuals and organizations within the financial sector. Another responsibility is the account supervision of the largest Dutch banks and insurers. But fear not, I will not be giving you a questionnaire to double-check your integrity.
- Today, I want to share a perspective from supervision — but also from history.
- Because sometimes, to understand the future, we must revisit the thinkers who saw instability not as an exception, but as a pattern.

Let’s start with some history...

- I'll do my best to bring the past to life—without a chalkboard, lists of dates, or yawns. In any case, it's about a person who personally fascinated and even inspired me: Hyman Minsky.
- A Minsky moment refers to a significant and abrupt market collapse that occurs after a long period of economic growth and stability, characterized by excessive speculative investment and high levels of debt.

- He had a knack for saying things that felt prophetic in hindsight. One of his most quoted lines is: “Stability leads to instability”.
- Meaning: The more stable things become, and the longer things are stable, the more unstable they will be when the crisis hits.
- Minsky’s Financial Instability Hypothesis teaches us that long periods of calm sow the seeds of crisis.
- Risk-taking increases, leverage grows, and financial structures shift — from hedge to speculative and building up leverage in the system and into products, to stage 3 with elements of Ponzi financing.
- This isn’t just a theory. It’s a lens through which we can view the crypto collapses, AI-driven bubbles, and housing market fragilities we’ve seen in recent years.

- Minsky’s insight is clear: risk is endogenous. It emerges from within — from behavior, incentives, and unchecked optimism.
- And I can agree with that for the most part.
- His ideas feel more relevant than ever.
- As a financial supervisor, I sometimes watch the markets with a mix of concern and quiet amusement—especially when stability is treated as if it’s a permanent state. Minsky would likely raise an eyebrow.

- His theory suggests that long periods of calm can actually encourage risky behavior, eventually leading to instability. In other words: the longer things seem safe, the more likely it is that trouble is quietly brewing.
- Soft behavioral signals of the Minsky phases are - among others - that we tend to forget lessons from the past, calls for deregulation, and 'let down your guard'. I will come back on that, but let me delve into the 3 Minsky phases leading to a Minsky moment a little further.
- Minsky identified three types of financing: hedge, speculative, and Ponzi finance. These aren't just academic terms—they're patterns we can clearly observe in today's financial landscape.
- In the **hedge phase**, borrowers are still playing it safe. They can pay both interest and principal from their own cash flows. Think of well-established companies with solid earnings, or households with manageable mortgages and steady jobs. From a supervisory standpoint, this is the calm before the storm—and hopefully not the eye of it.
- Then comes the **speculative phase**. Borrowers can still cover interest payments, but they rely on refinancing to repay the principal. It's a bit like paying off one loan with another and hoping the music doesn't stop. We see this in tech startups, commercial real estate projects, and certain private equity deals. Optimism is high, but the fundamentals are often... aspirational.
- Finally, there's **Ponzi finance—the red flag zone**. Here, borrowers can't cover interest or principal without taking on new debt. The business model depends on fresh money coming in, not on actual performance. This pattern has shown up in parts of the crypto sector, in recent bank failures, and even among consumers juggling "buy now, pay later" schemes like a financial game of hot potato.
- The overall message is clear: stability is on one hand the end goal, what you strive for. While at the same time you know you will never reach it on a sustainable level. It's a phase that demands vigilance. His framework helps

us spot the warning signs before they become headlines. And while we may not have crystal balls, we do have Minsky. That's a start.

Back to present times

- Now that we refreshed Minsky's thoughts. Let's move forward to 2025. And how can we apply this today? We are living in interesting times. And that is an understatement.
- The world is on fire. Literally, as we have clear evidence of the impact of climate change. We fail collectively to limit global heating to 1.5 grades Celsius. How clear can a UN secretary general be? *'We don't want to see the Amazon become a savannah'* Mr António Guterres said in The Guardian two days ago in anticipation of the COP-meeting.
- Together we can sum up other relevant trends and developments that signal tipping points. Such as the erosion of the rule of law, the erosion of democratic institutions and core values, the various fast economic and non-linear technological transformations, and not to mention the tectonic geopolitical adjustments.
- So, on top of Minsky a lot is going on today. This makes the context we all operate in explosive. But, why are the financial markets still bullish and stay relatively calm? And what keeps the 'risk-on' modus going on? How about the traditional financial risk management indicators —focused on measurable risks, historical data, and compliance? Why don't they signal that we are moving into the danger zone?
- I don't have the answers on these questions. What I do know is that these interesting times are "Minsky PLUS". Various risks build up insidiously and systematically, often not quantifiable, and only becoming visible when it's too late. For you, that means...Evolving with the times.

Evolving with the times

- I will explain what I mean by that the role of the Chief Risk Officer is going through a serious upgrade—think less spreadsheet guardian, less quantitative, more strategic co-pilot. Don't fight yesterday's war, but also do not forget them.

- Once seen mainly as the person who kept an eye on risk indicators and made sure the rules were followed, today's CRO is expected to do much more than set and monitor risk frameworks, and regulatory adherence.

- The only constant is change. The world constantly changes and so the nature of risk. Financial calm isn't always comforting anymore; sometimes it's just the quiet before the storm. As Minsky warned, the biggest risks often sneak in when everything seems fine and no one's paying attention.

- That means the CRO can't just sit back and monitor dashboards. The job now calls for forward thinking: building scenarios, running stress tests, and asking "what if?"—not just based on numbers, but also on behavior, sentiment, and how systems interact. What are the implicit assumptions? And if found challenge them. It's less about predicting the future perfectly, and more about being ready when it doesn't go according to plan. Think of it as risk management with a sixth sense. As important as being adaptable and resilient.

- And it's not just about numbers anymore. Culture matters — a lot.

- Risks don't only come from market shocks or bad luck; they also grow from overconfidence, groupthink, and the tendency to ignore early warning signs.

- That's why today's CRO is also part psychologist, part diplomat. Someone who asks, "Do people here still feel safe saying no?" and "Is risk something we all own, or just something we hope someone else is watching?"

- Silo thinking? That's so last decade.

- Risks, both financial risks and non-financial risks, are tangled up in everything—from financing structures to digital resilience, from reputation to trust. The CRO needs to connect the dots across departments and disciplines, spotting how external trends might quietly reshape internal vulnerabilities.

- And finally, the CRO isn't just the 'compliance referee' anymore. Risk management has become a strategic compass. Sometimes, the most valuable thing a CRO can say is: "This growth looks great—but is it built to last?" That takes guts, clarity, and the ability to turn risk insights into smart decisions.

- Conclusion: the CRO is evolving; your role is evolving.

- And what would Hyman Minsky's advice be to you? Let me try to paraphrase him. I will do that with 3 quotes and 3 actions for you as a CRO:
    1. "The financial system is complex, but not incomprehensible." Thus embrace complexity, but don't be paralyzed by it --> This means for your role: from risk monitor to also a systems thinker.
    2. "Markets are not always rational; they are driven by psychology and institutional structures. Make implicit assumptions explicit and challenge them -->This means a shift from controller to also culture shaper.
    3. "Periods of economic calm often sow the seeds of future crises." Beware the Illusion of Stability --> Besides regulatory adherence be also a strategic advisor.

But this broadening of the CRO's role also brings new risks to the profession itself.

- As you become increasingly involved in strategy, culture, sustainability, and communications, there's a danger that the core of risk management—closely monitoring and controlling risks—gets overshadowed. Too many responsibilities can lead to fragmentation and reduced effectiveness. So, keep focus. That is easier said than done.

- Also, because another challenge is uncertainty around mandate. Today's CRO operates between the second line of defense, executive leadership, and strategic decision-making. That's valuable, but without clear role definition, it can lead to tension: is the CRO an independent watchdog and ultimately defending 'the license to operate'? Or a sparring partner to the business partners and in the board? What is the view of the supervisor, and how effective is this dialogue? A vague position makes it harder to deliver critical messages with authority.

- There's also the risk of overreliance on red-amber-green KPI dashboards and overconfidence in model outcomes. Are they respectively 'watermelons" and a simplification of complexity? While data analytics continues to advance, models are still just tools. Especially in calm periods, when everything looks stable, risks can quietly accumulate. A CRO who leans too heavily on numbers and too little on context may miss the signals that truly matter.

- Then there's the cultural risk. Influencing behavior and breaking through groupthink requires patience, persuasion, and sometimes the courage to deliver unpopular truths. Not every organization is ready for that. The CRO may be seen as the "difficult question-asker," even though that role is essential.

- Finally, there’s the communication risk: not being heard. In a world full of dashboards and KPIs, the challenge is to make risks feel real and urgent—without causing panic, but with conviction. A CRO who speaks but isn’t truly listened to cannot fulfill their role effectively. Anyone who aims to manage risk must also recognize the risks inherent in their own profession.

- In short: the expansion of the CRO’s role is necessary, but it demands clarity, positioning, and strong communication skills. Anyone who aims to manage risk must also recognize the risks inherent in their own profession.

- Within the company and towards the supervisor

- So, as the CRO’s role keeps expanding—think IT and cyber, climate, geopolitics, AI, and whatever word pops up next—it’s easy to lose focus.

- Suddenly, you're juggling so many risks that even a circus act looks simple.

- Add boardroom duties, and the line between watchdog and decision-maker gets blurry. If the organization lacks a solid risk culture, red flags might be treated more like decoration.

- Plus, relying on specialists is great—until they speak in acronyms no one understands. And if departments forget to loop the CRO in? Well, then you're managing risks with half the puzzle missing.

- And that's where things start to get exciting, because the supervisor obviously has certain expectations of you.

Our expectations

- As a supervisory authority, we expect you to act independently, expertly, and with integrity. Even in these times, we count on you to identify, analyze, and manage risks promptly.

- Transparency is essential for us: we want clear insight into the risk profile and ensure that the policy is firmly embedded in the organization. The CRO must clearly define their role within the "three lines" model and demonstrate their independence from commercial interests.

- We also expect you to adequately respond to new regulations, such as DORA and MiCAR, and actively contribute to a healthy risk culture. A culture where the customer always comes first. It's up to you to help consumers navigate their financial lives.

- Changing roles, a supervisor with demands. Interesting, certainly. But I can also imagine it being complicated. Because when you go back to the office...what then?... What will you do with my information?

- Because regulators still look to you as the anchor of stability. The expectations haven’t shrunk.

- Actually, this is the moment to ask yourself: what are those developments and what are their implications? Not just for you, but for your entire team. Because risk management isn’t a solo act—it’s a collective mindset.

A moment of reflection and dialogue

- Start with a few honest questions. Are we mistaking calm for safety? Are our models keeping pace with innovation? Can we still challenge strategic decisions when the pressure is on? Are we building buffers in good times, or just hoping for the best when things turn?

- These aren't just technical and quantitative questions—they're cultural ones and embed many non-financial risks. They invite us to rethink how risk lives in our organization. Not just in frameworks and reports, but in conversations, decisions, and values.

- Regulators still see you as a key figure. Not because you have all the answers, but because you ask the right questions. Because you connect dots others might miss. Because you lead with clarity, even when the path isn't clear.

- I hope you don't treat those developments as a burden. Treat it as an opportunity. Also, for you personally.

- Bring these questions back to your team. Spark the dialogue. Put the fish on the table. Because the future of risk management doesn't start with regulation—it starts with real communication and an open mind.

Ladies and gentlemen,

- Today I've shared with you the changes within your profession. Change can bring many wonderful things, but naturally also risks.

- Risks that make practicing your profession and the associated responsibilities tricky. But of course, you don't shy away from a challenge. As an external financial supervisor, I appreciate that.

- I'd like to conclude with a final reflection from Minsky: "The financial system has no natural tendency toward stability."

- This means that stability must be created—through foresight, governance, and courage.

- Stay sharp yourself, keep your colleagues sharp, and don't forget the lessons learned.

- As external supervisors, I see alignment between your and our objectives. We are not here to restrict you—we are here to challenge and support you. Because resilience isn't just a supervisory goal. It's a shared responsibility.

- And in this era of transformation, the CRO isn't just a risk manager. You are a risk leader.

Thank you.