



Governing in chaos

Board skills to navigate volatility, complexity,
and scrutiny

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Reflections on how supervisors are helping to raise the bar for boards in the financial sector

In a world defined by overlapping crises — economic shocks, geopolitical tensions, climate risks, and disruptive technologies — boards of financial institutions must evolve faster than ever before. At the same time, regulators across jurisdictions are raising expectations around skills, behaviors, and accountability.

This article explores how leading boards are responding — and why embracing behavioral intelligence and fostering a growth mindset will define the next era of resilient governance.

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Governing in the age of disruption

Financial institutions are navigating a “permacrisis”: a state of continual volatility that tests traditional models of oversight and leadership. From post-pandemic instability to rapid technological shifts, the demands on boards have never been greater.

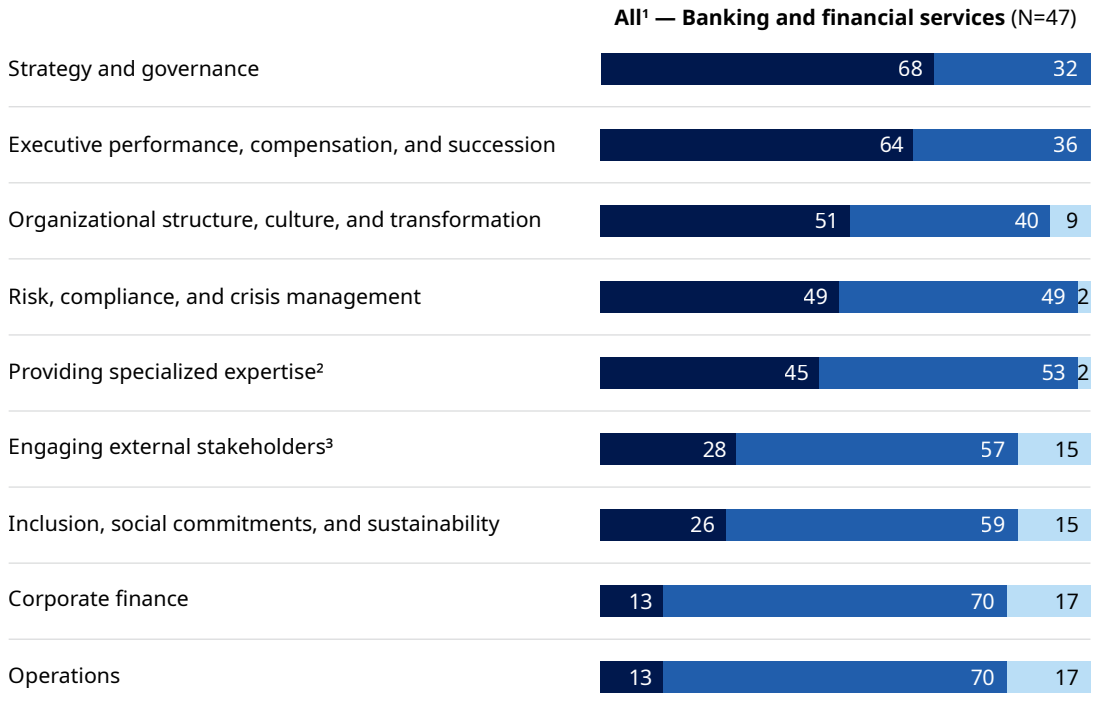
In this environment, boards must not only fulfill their core oversight duties but also demonstrate the skills to proactively shape and challenge strategy. Our 2025 CEO survey shows that 68% of leaders of financial services firms say there has been an increase in board involvement in strategy and governance, while 45% see an increase in boards providing specialized expertise (for example, audit and finance, cybersecurity, artificial intelligence, and geopolitics).¹ More boards are proactively including director skill matrices in shareholder materials, reaching 73% in 2024 versus 38% in 2020 for S&P 500 companies.²

Those that fail to reevaluate their governance risk repeating the lessons of the past. At Credit Suisse, the board missed warning signals around Archegos^{3,4}, while at Silicon Valley Bank, the board failed to challenge management as interest rate and liquidity risks mounted.⁵

Supervisors worldwide have taken note. They are redefining governance expectations to ensure boards are equipped to anticipate emerging risks — not just react to them. Yet regulation alone cannot secure resilience. The most effective boards are using supervisory expectations as catalysts for deeper change: strengthening their skills, fostering behavioral excellence, and leveraging technology to enhance decision-making.

Exhibit 1: In the past 1 to 2 years, how has your board’s level of involvement changed across the following topics?

% share of respondents



■ Increased involvement ■ Same involvement ■ Decreased involvement

Source: 1. All = NYSE + Europe; Source: Oliver Wyman Forum European CEO survey 2025 (May to July); 2. For example, audit and finance, cybersecurity, AI, and geopolitics; 3. Such as investors, regulators, and policymakers; Oliver Wyman Forum x NYSE CEO survey 2025 (March and April); Oliver Wyman Forum analysis

Raising the bar: What regulators now expect

Across markets, regulators are converging on a common message: Board effectiveness ultimately depends on members who speak up, engage constructively, challenge assumptions, and analyze critically. This does not necessarily require more regulation, but rather supervisory involvement grounded in a principles-based approach, informed by observation of best practices across institutions.

Regulation that drives a “compliance” mindset is most likely to be counterproductive, as boards and executives race to tick boxes instead of thinking strategically about their institution.

Financial regulators expect boards to demonstrate a systematic, forward-looking approach to capability assessment, encompassing both technical expertise and broader strategic competencies

The Australian Prudential Regulation Authority, for example, proposes that boards maintain a documented “skills matrix” outlining the knowledge and experience required to govern effectively.⁶ The Reserve Bank of New Zealand and the Financial Markets Authority endorse similar practices, noting that effective boards combine strong financial and risk management capabilities with emerging disciplines such as cyber risk, technology oversight, climate risk, and data ethics.⁷ The Central Bank of Ireland likewise expects boards to perform annual “fitness and probity” assessments to ensure directors continue to meet suitability standards.⁸ De Nederlandsche Bank has emphasized the need for “future-proof” boards — those capable of understanding technological disruption and sustainability transitions — and actively assesses board composition against these criteria during its governance reviews.⁹

The direction of travel is clear: The complexity and pace of today’s operating environment demand continuous upskilling and deliberate renewal of board capabilities. As the shelf life of knowledge shortens, boards built on expertise and eminence alone are being left behind.

Regulators are increasingly recognizing the power of behaviors in shaping board effectiveness

The European Banking Authority and the European Securities and Markets Authority's joint guidelines identify behavioral competencies as markers of suitability, including openness to challenge, the ability to influence constructively, sound judgment under pressure, and teamwork.¹⁰ The Central Bank of Ireland has incorporated similar expectations into its fitness and probity regime, encouraging firms to evaluate how directors demonstrate accountability, ethical reasoning, and sound conduct in collective decision-making.¹¹ The Australian Prudential Regulation Authority likewise expects behavioral attributes to be observable and measurable within board evaluation frameworks.¹²

Reflecting a growing consensus, the European Central Bank and the European University Institute's October 2025 seminar on "The Board of the Future" called on financial institutions to consider which behavioral skills — such as communication, mindset to challenge, judgment, and continuous learning — will underpin board effectiveness over the coming decade.

Regulators are highlighting the value of assessments as a means of strengthening board governance

External assessments have been a requirement for listed companies in some jurisdictions, such as the UK¹³ and Spain¹⁴, for some time and are fast becoming an expected component of good practice elsewhere. The Australian Prudential Regulation Authority proposes mandatory external reviews, with accountability resting on the chair to ensure that findings are acted upon and tracked. The Bank of England, the Prudential Regulation Authority, and the Financial Conduct Authority selectively deploy Section 166 "skilled person" reviews to secure objective insights into board performance and governance frameworks.¹⁵ De Nederlandsche Bank follows a similar approach, frequently engaging external experts to assess behavioral dynamics and the quality of board challenge.¹⁶

Across jurisdictions, external assessments are valued not only for the objectivity they bring, but also for their ability to catalyze self-reflection and promote a culture of continuous improvement.

Taken together, these regulatory perspectives signal a converging standard for effective governance: one that goes beyond convening a group of eminent and erudite experts to focus on the substance of board performance.

How firms can get ahead of the trend

Selecting for behaviors as well as experience

Leading boards now select members for behavioral intelligence, not just credentials. (Recognizing the influence that board itself has on the appointment of new members can vary across firms and jurisdictions). Constructive challenge, active listening, integrity, and learning agility are as critical as business acumen both in peacetime and during crises. Boards exhibiting curiosity, openness, and mutual trust operate more effectively than those dominated by deference or groupthink. These traits should be specified in search criteria and assessed during nomination, referencing, and 360° feedback processes — not treated as intangible “fit” factors.

Fostering a growth mindset

Boards that learn continuously adapt faster. Forward-looking institutions are transforming annual training to incorporate immersive learning experiences, including crisis simulations, scenario-based workshops, and immersive “war games” that test decision-making under pressure. Inviting external experts to discuss market trends and conducting “lessons learned” sessions on past decisions encourage humility and adaptability. Board members who have lived through crises can coach and advise executives who may be experiencing their first serious incident. Leading board chairs should also create space and psychological safety for members to ask clarifying questions or request additional briefings, particularly on complex technical topics.

Unlocking the power of annual assessments

When used strategically, board assessments become catalysts for transformation. The strongest institutions measure collective and individual performance against explicit behavioral and technical criteria, address gaps through coaching or succession planning, and commission periodic independent reviews to benchmark progress.

Co-creating shared board principles

Some boards formalize shared “beliefs” or behavioral codes, setting expectations around board and executive committee member preparation, participation, transparency, and integrity. These can foster alignment and provide a foundation for feedback and peer review. High-performing boards institutionalize such norms through 360° evaluations, ensuring that collective values translate into consistent behaviors.

Embracing AI intelligently

If used wisely, AI can strengthen board effectiveness and address a longstanding challenge: Boards often receive information that is delayed or voluminous, limiting effective challenge. AI tools can, for example, help management enhance the quality and readability of board papers. Accountability, however, remains human: AI should inform and augment, not replace, critical thinking and judgment. For instance, while it may be tempting for a busy board member to have AI read and summarize board papers, this poses the risk that AI misses nuances that a seasoned board member’s antennae will pick up. And while AI’s ability to take accurate minutes is becoming increasingly impressive, subtleties may be missed, and recording board meeting discussions in full may inhibit open and frank debate.

From compliance to proactive risk management

Supervisors are raising expectations, but effective Boards go beyond compliance. They view regulatory expectations as a mirror for self-improvement, not a checklist. By investing in behavioral excellence, diversity, and adaptive learning, they enhance not only resilience but also strategic performance.

The shift is already visible. Supervisors from the European Central Bank to the Australian Prudential Regulation Authority increasingly note that boards with diverse perspectives, behavioral strengths, and external insights outperform peers in preventing and navigating crises. At the same time, regulators themselves are evolving, deepening their understanding of behavioral and cultural risks to ensure that governance oversight remains relevant.

Ultimately, the institutions that thrive will be those whose boards balance rigor with agility and see governance not as compliance, but as leadership. Strengthening board effectiveness is not just a regulatory obligation; it is a strategic investment in trust, resilience, and long-term value creation.

Endnotes

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