Redesigning Risk Management Through Fintech Partnerships

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Authors’ Note

There’s a revolution happening at the intersection of finance, technology, and risk. The future of financial services is no longer just about size, capital, or legacy. It’s also about data, agility, and collaboration. But where opportunity grows, so does complexity. And where innovation accelerates, new, often-invisible risks emerge.

Risk management can no longer afford to play a supporting role. What was once seen as a back-office function—and often considered cautious and resistant to change—must step into the light as a strategic partner for transformation.

In this report, we explore a potential path that remains largely untraveled, one where financial technology companies and risk functions work together. The idea is simple, and yet almost radical: What if fintechs could serve the Chief Risk Officer?

For that to happen, a change in approach is needed on both sides. Many among the fintech companies we looked at, including both startups and scaleups—companies that are not strictly startups but are in a growth phase and still attracting VC funding, for example—don’t even consider the CRO as a potential client. And most CROs, in turn, remain unaware of the numerous fintech solutions that are available—capable tools that could help them predict and manage risk more intelligently. There is also mutual hesitation: fintechs doubt they’ll be heard, and CROs fear reputational risks, integration hurdles, and the cost of failure.

We believe it’s essential for financial institutions to understand that fintechs can be part of the solution. For this to happen, it is important to understand where and how to apply novel solutions (for example, ad hoc collaborations on strategic themes or operative efficiency solutions) as well as understanding the required success factors and guardrails. Once these preconditions are set, the critical step is choosing the right partner within the ever-evolving universe of financial technology companies based on defined selection criteria.

While our report is focused on financial services, many of the fintech risk management services we looked at are suitable for companies in other industries. Our hope is that this report sparks a shift in mindset, giving CROs the confidence to look beyond traditional boundaries, to engage with the fintech ecosystem as a partner in risk and resilience.

While the road may require experimentation, the future will be shaped by those who are willing to explore and build together.

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Introduction

In today's world, risks are deeply interlinked and show up in unexpected ways.

Whether stemming from geopolitical fragmentation, environmental volatility, or technological disruption, modern risks do not arise in isolation. They influence and amplify one another across industries, borders, and systems. A change in trade policy may trigger supply chain realignments, with downstream implications for credit exposure and operational continuity. Likewise, impacts of a changing climate can spark migration pressures, inflationary effects, or regulatory shifts.

Technology adds another dimension. As IT architectures become more layered and interdependent, operational and cyber risks multiply. Consequently, financial institutions face two simultaneous imperatives: to control the expanding risks created by their complex IT stacks and external threats like AI-powered fraud, and to use new technology to build a more effective and efficient risk management function.

In this turbulent context, fintech startups and scaleups are emerging as pivotal players, offering groundbreaking solutions that address specific challenges and risks. They are rapidly deploying tailored products, often in niche domains, positioning themselves as potentially invaluable partners for financial institutions requiring specialized capabilities that may be too time-consuming or costly to develop in-house. Fintechs' solutions can help CROs access automation, predictive analytics, and real-time data integration to transform risk management from a costly operational necessity into a competitive advantage.

While many financial institutions have kept these companies at arm's length, regarding them as competitors, it is increasingly clear that CROs should start to look into the world of fintechs. As the pace of technological innovation accelerates, the most capable fintech solutions are using AI-powered automation and predictive analytics to identify and manage risks. Fintechs also offer established solutions that can be set up quickly, greatly shortening time-to-market. This combination of leading-edge technology and fast implementation can help transform the CRO from a back-office goalkeeper into a strategic leader.

A successful integration of fintech-driven innovation within a financial institution that has an established risk management framework requires overcoming hurdles, such as a lack of sponsorship and budget, procedural or organizational friction, and cultural gaps that hamper development of mutual trust.

Such hurdles are not insurmountable. To overcome them, the CRO must position risk management as a strategic business partner and accelerator of growth and enterprise value. CROs who wish to be at the forefront of innovation stand to benefit by first understanding the existence of a collaborative ecosystem of innovative fintech startups and scaleups. As a next step, they should begin to investigate where and how risk management fintech partnerships might benefit them and their organizations.

With some obstacles coming from inevitable organizational habits and embedded attitudes, a good starting point is to acknowledge the internal gap in awareness and culture that exists in many institutions. While this report focuses on CROs, they alone cannot reshape a financial institution's culture without support and collaboration. It is important to secure buy-in at the top of the organization and to be prepared to nurture steady cultural change as a critical facilitator for the journey.

Financial Services CROs Face Multifaceted Challenges

CROs in the financial services sector must manage pain points across the main axes of their risk management frameworks and are under mounting pressure from increasingly stringent regulatory expectations, rapid technological changes, and the ongoing need for internal efficiency gains.

These challenges include issues related to supervision, governance, emerging risks and regulations, key processes, and data, technology, and tools.

Supervisory Pressure

The intensity of this pressure is reflected in the European Central Bank's (ECB) 2024 Supervisory Review and Evaluation Process. Several obstacles continue to impede regulatory effectiveness. For example, financial institutions still have limited implementation of international supervisory frameworks such as the Basel Committee on Banking Supervision's BCBS 239 standard, which governs the maintenance of timely and accurate data, outdated systems, fragmented risk taxonomies, and organizational silos.

The ECB has introduced its Supervisory Priorities for the 2025–2027 period, which reinforce the need for eurozone financial institutions to enhance their resilience amid shifting macro-financial conditions, persistent structural deficiencies, and the challenges posed by digital transformation. These priorities include:

- **Strengthening resilience to macro-financial and geopolitical shocks**, which calls on financial institutions to identify deteriorations in asset quality at an early stage, maintain prudent provisioning and capital buffers, and address credit risk management failings. It also emphasizes operational resilience in IT and cybersecurity and highlights scenario analysis and stress testing as crucial preparation against severe macroeconomic and geopolitical shocks.

- **Effective remediation of material shortcomings**, which pushes financial institutions to close gaps left unresolved from previous supervisory cycles. ECB Risk Data Aggregation and Risk Reporting (RDARR), introduced following BCBS 239, remains a notable area of focus as inadequate data management compromises financial institutions' ability to respond promptly to emerging risks.

- **Advancing digital transformation and managing technological risks**, which highlights how vital it is for financial institutions to balance the benefits of digital innovation with prudent oversight.

On top of these priorities, CROs need to account for additional pressures and changes—such as the EU Digital Finance Package, still in development—that would require financial institutions to address the following:

- information and communications technology resilience

- volatility and custody risks associated with crypto assets

- the evolving nature of model risk (the possibility that a risk model is flawed due to inaccurate data or a bad algorithm)

- the increasing reliance on digital third parties, which introduces new concerns around third-party and concentration risk (for example, focusing on cloud providers that are becoming more central to running any business)

These developments call for more robust frameworks to manage technology-related risks, including explainable AI and model validation practices, as well as systematic bias checks and greater scrutiny over third-party and concentration risks—particularly with the increasing reliance on cloud service providers. This intense focus on risk framework modernization and risk data aggregation is by no means a purely European phenomenon. Across the globe, financial services supervisors are applying similar pressures, creating a set of universal challenges for CROs, even as regional priorities differ—with the underlying macroeconomic, technological, and geopolitical drivers forcing regulators to re-evaluate traditional supervisory models.

Governance

Ambiguous ownership and accountability

For emerging risks, clear lines of ownership are often missing. With threats evolving so rapidly, accountability for them often does not fit neatly within a single, pre-existing corporate function. This creates a dual risk. On one hand, no single function may take full responsibility, leading to dangerous accountability gaps. On the other hand, the nature of these risks may require a "diffused accountability" model, which presents its own governance challenge. Orchestrating responsibilities across multiple teams—from the business unit to IT, data, and legal—becomes incredibly complex and requires bespoke governance frameworks to be defined on a nearly case-by-case basis, moving away from a clear, single owner.

Static frameworks

Governance and risk approaches need constant evolution to maintain coverage of new risks. For example, what is the financial institution's appetite for reputational damage from a biased AI lending model? What is the acceptable level of concentration risk to a single cloud service provider? The question should not be what the appetite is for AI bias or cloud concentration risk, but how often it is recalibrated. A financial institution's risk appetite framework (RAF) can no longer be a simple list of quantitative limits for credit and market risk. It must evolve into a dynamic framework that can articulate the firm's appetite for new, hard-to-quantify risks.

Emerging Risks and Regulations

Evolving requirements for new risks

Emerging risks have a changing nature, by definition. And with each new risk, tools and data must be adapted accordingly. For example, with geopolitical risk, tools that enable innovative scenario planning have become more prominent. Meanwhile, the challenge for managing rising risks from extreme weather events is multifaceted. One aspect is categorizing previously siloed operational data—like the precise geolocation of physical assets—into governable risk factors. However, the trickier task is to monitor, in real-time, changing information related to those assets, such as integrating satellite data on wildfires or sensor data on flood levels.

New regulations

New regulations, such as the EU's Financial Data Access Regulation proposal, are poised to introduce new layers of complexity to operational risk management. For example, financial institutions may be required to share customer-permissioned data with third parties via platforms or consortia, and CROs must proactively assess the associated risks. These include data integrity, access governance, platform security, and continuous auditability. Without robust safeguards, there is a heightened risk of data breaches, misuse, or operational failures with systemic implications. The challenge lies in embedding sufficient controls early on, so that new compliance mandates do not become a source of additional vulnerability—while at the same time opening the door to innovation and avoiding the redundant generation of data that merely replicates itself.

Key Processes

Lengthy reporting processes with limited data visualization

Regulatory reports often require extensive adjustments. The typical manual approach impedes timely decision making and increases the risk of reputational damage if inaccuracies slip through. The persistent reliance on spreadsheets rather than automated, real-time dashboards has been a historic concern, weakening data quality and undermining governance.

Manual regulatory change management

Financial institutions often struggle to stay current with evolving regulatory mandates, relying on manual interpretations and policy updates that can take weeks to implement. Silo-ization of legal, compliance, and risk functions further fragments these processes, prolonging the timeline for full compliance and increasing the risk of supervisory penalties.

Manual nonfinancial risk controls

Operational and nonfinancial risks typically remain under manual control processes. The sampling-based methods still widely used in large banking groups are poorly suited to managing diverse regulatory environments. Legacy systems inherited from mergers and acquisitions often complicate efforts to automate or standardize controls.

Data, Technology, and Tools

Limited flexibility in scenario analysis and stress testing

Many platforms are too rigid, taking months to configure or update for new risk dimensions. Given the rapid pace at which new risks emerge, this sluggishness prevents CROs from running meaningful, timely simulations and severely hinders dynamic decision making.

Lengthy risk model creation, validation, and updating

Developing and validating risk models can stretch over many months, hindered by manual processes, fragmented IT environments, and regulatory documentation requirements. While newer technology solutions exist that can automate aspects of model creation and versioning, most financial institutions have yet to integrate these tools effectively into their workflows.

Inefficient reconciliation between CRO and CFO data

Discrepancies between risk and finance data—stemming from diverging definitions of exposure or time horizons—often force a lengthy, manual reconciliation process. Without a unified governance framework, these discrepancies continue to disrupt fast-close processes and undercut overall risk transparency.

Lack of effective fraud detection systems

As fraud tactics evolve—encompassing deepfakes, synthetic identities, and AI-driven social engineering—traditional rule-based engines are struggling to keep up. This gap exposes financial institutions to material losses and reputational harm, highlighting the urgent need for more adaptive, data-centric detection technologies.

Poor availability of timely risk data

Despite the clear necessity of real-time or near-real-time insights, data remains locked in siloed architectures and subject to inconsistent ownership and governance. External data sources can compound these delays and inconsistencies, further limiting a financial institution's ability to execute timely stress tests and assess evolving risks.

A Fintech-Inspired Perspective to Move Further

What if we change the way CROs address challenges and consider fintech as a key enabler?

While fintech companies are often associated with startups, fintech is far from being a startup-only endeavor. It is a current that runs through the entire financial sector, including incumbent institutions. For established financial institutions and other financial players, keeping pace with new technology is not merely advisable; it is essential to preserve competitiveness and continue serving customers effectively, all while managing the very real risks that innovation introduces.

How Fintech Is Changing the Game for Financial Institutions

Three established trends are opening the doors to broader acceptance of fintechs by incumbent institutions:

- Open banking, and its wider successor, open finance, have normalized the idea that data and functionality can flow across financial intermediaries' boundaries through secure APIs.
- Cloud computing has made those APIs cheap to scale and quick to adapt, turning what were once multiyear infrastructure projects into "pay-per-use" services that can be spun up in days.
- A maturing vendor ecosystem now supplies financial institutions with modular processes—from digital identity access management to instant payments—that can be integrated into a financial institution's operations and systems without wholesale software rewrites.

These trends guide a financial institution's decision to pursue one of three main operating models.

Banking-as-a-Platform (BaaP)

In the BaaP model, the financial institution keeps the customer interface and invites specialist providers—fintech, insurtech, and even non-financial companies—to plug their services into a curated marketplace that lives within the financial institution's app. Customers can open a savings account, finance a solar panel, switch their electricity supplier, or buy holiday insurance without leaving the banking environment. All of these activities require some sort of risk review. The financial institution deepens engagement, earns commissions, and captures rich behavioral data. Yet it must also master real-time integration, granular consent management, and ecosystem governance, disciplines that feel closer to big-tech platform management than to traditional product silos.

Banking-as-a-Service (BaaS)

BaaS is the mirror image of banking-as-a-platform. The institution unbundles core functions such as accounts, payments, lending, and Know Your Customer (KYC) processes into microservices, hosts them on a cloud ledger, and makes them available through an orchestration layer of APIs. Nonbank brands can stitch those modules directly into their customer journeys and launch fully compliant financial features in weeks rather than years. For the license-holding financial institution, fixed infrastructure costs morph into usage-based revenues; for the partner, the regulatory moat all but disappears.

Open Finance Partnership

This model focuses inward, leveraging collaboration to overhaul critical internal processes and infrastructure. Instead of building all solutions in-house, the financial institution forms deep partnerships with specialized fintech companies to modernize core business functions. A prime example is risk management, where partnerships automate regulatory reporting, enhance model validation processes, or deploy next-generation fraud detection systems. This model extends to other core business functions as well, such as lending-lifecycle management, where partnerships can improve scoring models and governance, and wealth advisory, which can be transformed with new tools for portfolio creation and client onboarding.

What unites these models is the modular discipline that fintech thinking requires. Whether a financial institution is powering other brands behind the curtain or orchestrating a marketplace in full view, it must be able to switch capabilities on or off without rewriting the core of the application, prove data lineage to supervisors, and embed continuous monitoring in every process. Those capabilities were once cultivated for compliance; today they are the very muscles that allow an institution to pivot quickly between serving, partnering with, and competing against the next wave of digital entrants. Incumbents that embrace open architectures, cloud economics, and API-first design can decide whether to be the silent engine behind someone else's brand, the orchestrator of a multi-service marketplace, or both. It is, therefore, undeniable that such modularity also reshapes risk management, enabling more granular control, faster response to emerging threats, and more precise alignment of risk ownership across internal and external stakeholders.

How Startups Are Changing the Game with Fintech

Even though fintech is undeniably a broader phenomenon, and many fintech initiatives are now developed directly by financial institutions, fintech startups and scaleups remain the true engine of innovation. Their ability to experiment with new solutions, coupled with their leaner and more agile structures, allows them to adapt quickly to change and operate free from the organizational constraints often found in larger institutions.

To fully understand the dynamics at play, it is worth taking a closer look at who these fintech companies are, the innovative solutions they bring to the market, and the specific roles they are beginning to play within the broader financial ecosystem.

These solutions are not simply about digitizing paperwork. They embed advanced analytics directly in the data streams where risks first surface, converting what were once slow, batch-driven routines into almost continuous feedback loops. Through intelligent automation, fintech companies can reduce financial institutions' exposure to compliance failures and the financial penalties that often follow. At the same time, they can help streamline processes that have historically been labor intensive and error prone. More importantly, collaborations enable financial institutions to become more resilient by improving the quality and frequency of risk insights, transforming risk and compliance into a strategic lever.

A Deeper Dive Into the Data

Looking at the Fintech Big Picture

Our research analyzed 9,535 fintech startups and scaleups[1] founded from 2021 onward. The geographical distribution of this group appears highly polarized. The United States alone accounts for 39.4% of the total, solidifying its position as the leading global hub for financial innovation. The United Kingdom follows with 7.8%, ahead of Singapore (5.0%), India (4.8%), and Canada (3.1%). Within Europe, besides the UK, prominent roles are played by Germany (2.3%), France (2.3%), and Switzerland (2.1%).

In terms of capital raised, concentration becomes even more apparent. Fintechs in the United States absorb 45.7% of all funding (approx. $22.3 billion), followed by China (5.2%), the United Arab Emirates (4.3%), and the United Kingdom (4.1%). Within continental Europe, Germany and France play notable roles, though still well behind their American and Asian counterparts.

Fintechs Addressing Regulatory and Risk Challenges

The ongoing evolution of fintech has spurred the growth of a specialized subset of companies with the specific goal of supporting industrial firms and financial institutions in complying with regulatory demands more efficiently and effectively and managing risk by applying advanced technologies.

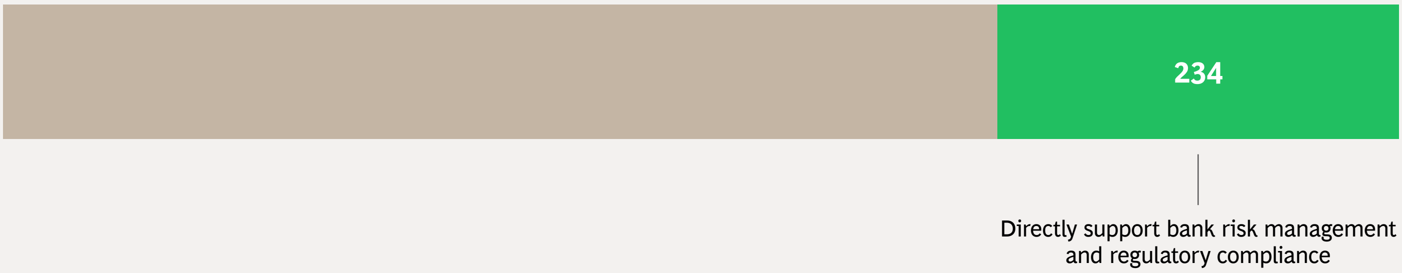
Beginning in 2009, globally 814[2] fintechs belong to this category. (See **Exhibit 1**.) Among them, 234 serve the needs of banking CROs directly. Of this subset, 1.2% were founded in the past year, 8.6% in the past three years, 23.9% in the past five years, and 28.6% over a decade ago. Rather than forming a uniform group, these firms follow highly individual trajectories, a fact starkly reflected both in their performance and in their approach towards fundraising. For example, year-over-year revenue growth spans from a low of –77% to a high of +247%; while the number of investors participating in funding rounds varies from 1 to 63. (See **Exhibit 2**.)

[1] Source: PitchBook.
[2] Sources: Politecnico di Milano; BCG; PitchBook.

EXHIBIT 1

Approximately One-Quarter of Fintechs That Offer Risk Management Provide Direct Support to Banking CROs

814 fintechs providing risk management services

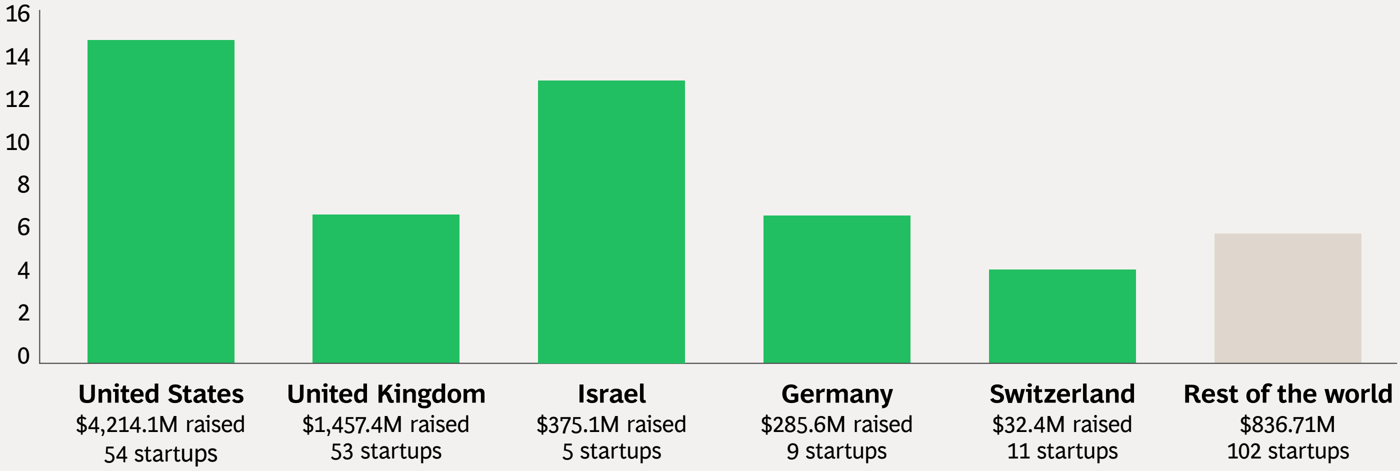


Sources: PitchBook; proprietary PoliMI data; PoliMI & BCG analysis.

EXHIBIT 2

Risk Management Fintech Funding Varies Widely

Average number of institutional investors per funding round



Sources: PitchBook; proprietary PoliMI data; PoliMI & BCG analysis.

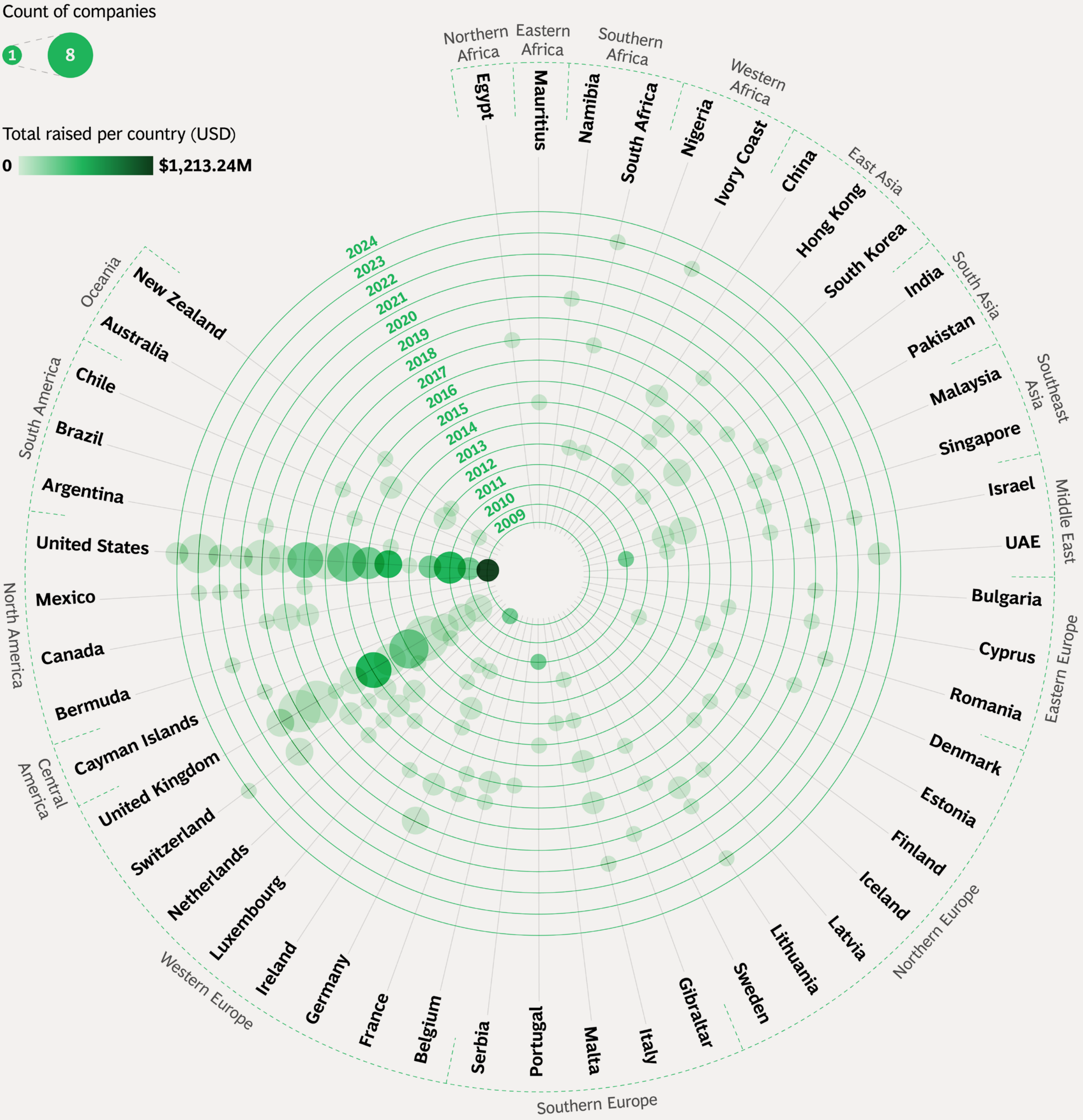
Unlike performance, which is an outcome, the number of investors is often a deliberate strategic choice by the founders, reflecting different approaches to governance. Opting for a small number of investors can secure greater control and decision-making agility for the founders. Conversely, a round with many participants, while potentially diluting control, can open doors to larger capital pools and broader networks, at the cost of more complex and fragmented governance.

In terms of geographical spread, these companies follow the sector trends. The United States accounts for nearly 23.1% of the total. The United Kingdom—a country that embraced fintech and its nuances before the others—follows closely with 22.7%, ahead of Switzerland (4.7%), Germany (3.9%), and Italy (3.0%).

This uneven distribution highlights a global landscape where innovation density and support structures remain concentrated in a few geographies. Zooming in on the United States, it becomes clear that its leadership is not monolithic but instead comprises a constellation of regional powerhouses. California alone hosts almost one-third (29.7%) of all US-based fintechs, acting as the epicenter of technological experimentation, fueled by a robust venture capital network. New York follows with 18.5%, leveraging its legacy as a global financial center. Other key contributors include Illinois, Florida, and Texas (7.4% each), where innovation hubs like Chicago, Miami, and Austin are growing rapidly. (See **Exhibit 3.**)

EXHIBIT 3

Annual Trends in Risk Management Fintech Startup Activity



Sources: PitchBook; proprietary PoliMI data; PoliMI & BCG analysis.
Note: Bubble size reflects the number of startups founded. Bubble color reflects total amount raised, with darker colors indicating higher amounts.

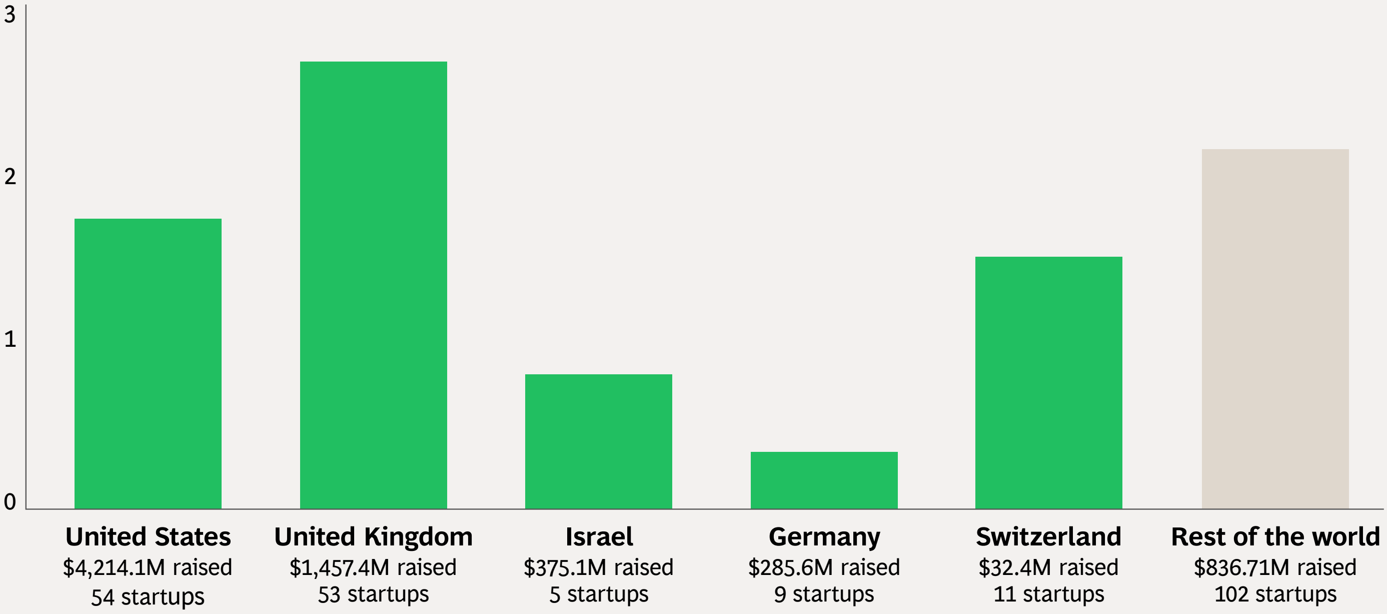
> The evolution of fintech has spurred the growth of companies that support industrial firms and financial institutions in complying with regulatory demands and managing risk by applying advanced technologies.

This concentration of activity becomes even more apparent when looking at funding. The United States alone absorbs 58.5% of all funding (approx. $4.2 billion, 40 fintechs raising funds)—with New York ($2.4 billion) and California ($0.8 billion) accounting for the majority—followed by the United Kingdom (20.2%, 30 fintechs raising funds) and Israel (5.2%). This trend is further reinforced by the speed of investment. Among the fintechs that successfully made a round, the average time from a startup's foundation to its first funding round is 1.7 years in the United States, compared to a global average of 2.2 years. (See **Exhibit 4**.)

EXHIBIT 4

Speed of Investment for Risk Management Fintech Startups

Average number of years from foundation to first funding round



Sources: PitchBook; proprietary PoliMI data; PoliMI & BCG analysis.

When Fintech Meets CROs' Key Challenges

A significant number of collaborations between financial institutions and fintechs are demonstrating the value of the partnership model.

They are emerging as examples of how these institutions can access cutting-edge technologies and co-develop innovative solutions.

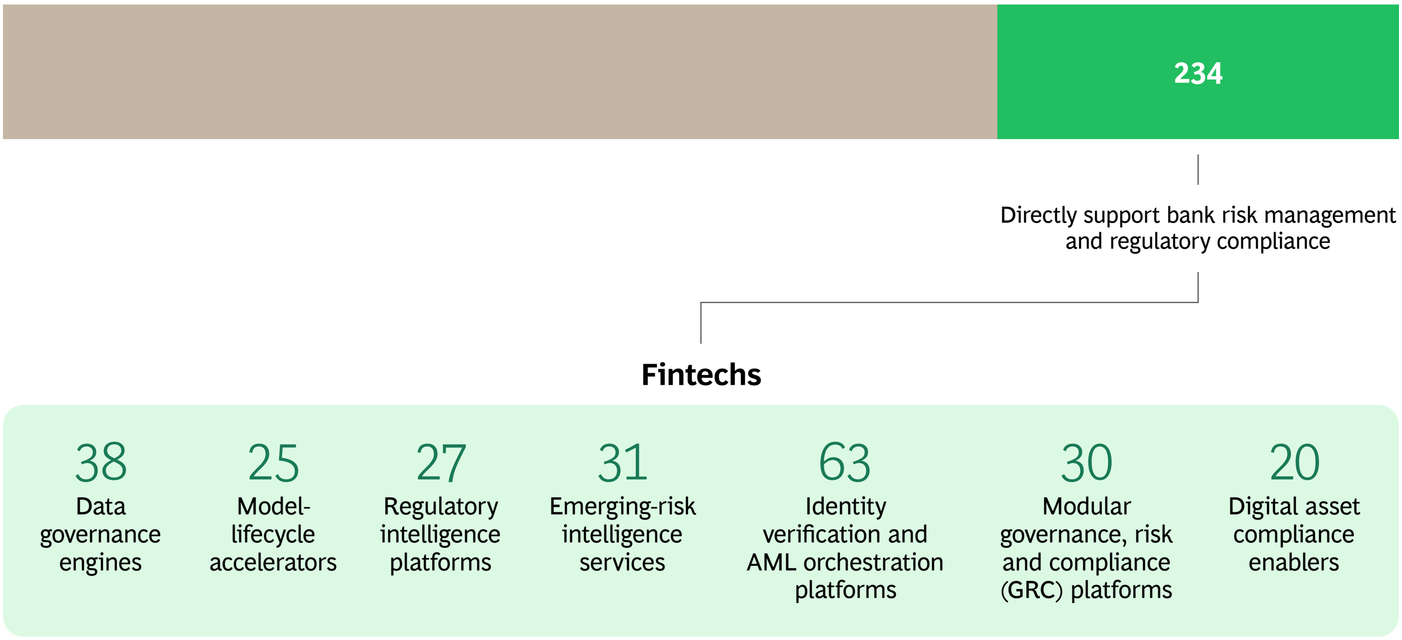
To understand how fintechs are providing concrete answers to CROs' challenges, this research began with a broad analysis of the global fintech landscape, scanning the 234 fintechs that target the risk management function. They can be grouped into seven functional categories. (See **Exhibit 5**.)

- **Data governance engines** transmute fragmented information into a single, common, and trusted view. (38 fintechs)
- **Model-lifecycle accelerators** shrink the time and effort needed to build, validate, and deploy statistical and machine learning models. (25 fintechs)
- **Regulatory intelligence platforms** distill the unending torrent of new rules into actionable obligations. (27 fintechs)
- **Emerging-risk intelligence services** put hard numbers around threats such as cyber intrusion, climate damage, geopolitical volatility, or generative AI failure. (31 fintechs)
- **Identity verification and AML orchestration platforms** enable remote recognition of individuals and businesses and continuous, automated screening across multiple data sources to detect financial crime and fraud. (63 fintechs)
- **Modular governance, risk, and compliance (GRC) platform providers** offer a suite of integrated, configurable solutions for the CRO, enabling financial institutions to adopt all or selected modules and seamlessly connect them with existing systems. (30 fintechs)
- **Digital asset compliance enablers** explore how to manage the novel risks tied to custody, trading, and offering of digital assets (mainly crypto), including anti-money laundering (AML), identity, and transaction transparency across decentralized networks. (20 fintechs)

EXHIBIT 5

Financial Technology Startups Using Advanced Technologies to Support a Variety of Risk Management and Regulatory Compliance Needs

814 fintechs providing risk management services



Sources: PitchBook; proprietary PoliMI data; PoliMI & BCG analysis.

In the following sections, we focus on the first four categories, setting aside the last three as they do not currently address the top pain points identified by financial services CROs. *Identity verification services* are now widely adopted, often provided by third-party vendors integrated into financial institution platforms, and the solutions we found show little evidence of meaningful innovation. *Modular GRC platform providers* may offer valuable opportunities, particularly for neobanks, but it is less likely that well-established financial institutions will feel the need to fundamentally overhaul their risk architecture. *Digital asset compliance enablers* are still nascent and, at present, do not align closely with the core operational or strategic challenges of most financial institutions.

Data Governance Engines

Giving CROs unified, explainable, and actionable oversight over their data landscapes.

Modern data governance engines offer a set of capabilities that, while technologically distinct, converge toward a single strategic goal: enabling CROs to have useful oversight of their data. These capabilities—ranging from real-time data ingestion to automated traceability—translate directly into relief for several pain points that have long constrained the risk function.

Broadly, these innovations can be grouped into three main functional areas:

Unified data access and governance

New platforms address data fragmentation by consolidating risk and finance information into a single, common, and trusted view. Automated discovery and classification tools enhance privacy compliance and improve the accuracy of internal reporting, enabling more consistent and secure access to sensitive data.

Transparency, reconciliation, and reporting efficiency
Data lineage and reconciliation features give financial institutions full visibility over how data flows and changes across systems. This accelerates processes like month-end closing and helps align finance and risk definitions. At the same time, automated documentation and audit trails reduce the reporting burden by embedding compliance directly into data workflows.

Configurable controls and agile response to risk
Low-code governance tools allow risk teams to define controls and workflows without IT support, increasing responsiveness to regulatory changes. Integrated policy enforcement and monitoring further support consistent application of operational risk controls across business units.

Cloud-native platforms that ingest structured and unstructured data in real time, while applying privacy-aware classifiers, address the long-standing challenge of delayed data availability. Some providers offer solutions that are designed to sit across a financial institution's entire architecture, managing the data lifecycle to create a single, trusted view.

Moreover, there are tools on the market that embed automated data discovery and classification, helping financial institutions locate sensitive information across the enterprise, facilitating compliance with privacy regulations, and improving the timeliness and accuracy of internal reports. These capabilities support the creation of up-to-date dashboards for capital, liquidity, and operational risk—thus eliminating multi-week reporting delays.

Lineage tracking and data visibility provided by some technology platforms enable faster reconciliation between financial and risk data by providing auditable mapping of data transformation across systems. This not only accelerates monthly closing processes but helps align risk and finance definitions, often cited as a major friction point.

> **"Typically, the reason why firms bring us in is because they either lack the ability to action this inside of their infrastructure, or because the platforms and systems they're utilizing are old and lack the flexibility to produce a result. The access to the data is fragmented and controlled outside of the owner's requirement. For example, the data is owned by IT, but the ops or the risk officer is required to deliver this, and gaining access to those resources is timely and consuming."**

FINTECH STARTUP SENIOR SALES EXECUTIVE

Platforms that support automated documentation and versioned audit trails can significantly reduce reporting burdens. For example, some fintechs may be able to reduce documentation times from months to just weeks, freeing up significant resources for value-added analysis. These solutions often come with preconfigured regulatory templates for standards like SR 11-7 and the EU AI Act, embedding compliance directly into the model-lifecycle from the outset.

Configurable governance workflows are another valuable capability. Platforms offering low-code/no-code interfaces allow risk teams to define thresholds, controls, and decision paths without IT dependency, improving agility in response to regulatory change. Similarly, some platforms provide an inventory of decision-making models and workflows that allow for enterprise-wide governance that is highly configurable by the risk organization itself, without vendor intervention.

For nonfinancial risk controls, centralization is key. Several solutions integrate audit trail generation and policy enforcement directly into their governance layers, reducing manual work and enabling consistent application of operational controls across business units.

As financial institutions prepare for data-sharing obligations under new regulatory frameworks, the ability to implement granular access permissions and real-time monitoring is becoming indispensable. Solutions that offer access governance are designed to prevent openness from undermining control, helping financial institutions meet external obligations without increasing operational risk.

As a result, startups and scaleups focusing on data governance engines are useful tools for CROs in solving most of the bottlenecks and pain points stemming both from operational inefficiencies and regulatory guidelines. In this view, data governance engines are no longer passive infrastructure. They actively empower CROs to reduce operational drag, enable real-time oversight, and embed compliance into the fabric of daily operations. They represent the foundation upon which broader digital transformation can occur, turning data from a liability into a lever for strategic resilience.

Model-Lifecycle Accelerators

Empowering CROs to rapidly develop compliant, transparent, and agile models

Fintechs acting as modern, model-lifecycle accelerators offer a new generation of capabilities that help financial institutions drastically reduce the time, effort, and risk associated with building, validating, and managing models—especially under growing regulatory scrutiny. These solutions combine low-code/no-code interfaces, validation automation, and model governance orchestration into a unified framework that empowers risk teams to work faster and with greater confidence.

These innovations can be grouped into three main areas:

Automation of documentation and validation
AI-powered platforms are now able to generate model documentation automatically, embedding validation logic and thresholds in a reproducible, policy-aligned format. This reduces manual effort and promotes consistency with internal and regulatory standards.

Simplified and governed model development
Low-code and no-code environments allow risk teams to build, test, and deploy both rule-based and machine learning models with minimal IT support. These tools prioritize explainability, auditability, and embedded governance, enabling faster iteration while maintaining control and traceability.

Testing, deployment, and strategic agility
New solutions support agile model management by enabling autonomous configuration of risk strategies, rapid updates to deployed models, and sandbox testing using synthetic data. This helps institutions simulate regulatory impacts and de-risk implementation before going live, which is particularly valuable in fast-changing or complex domains.

Several platforms now support automation of model documentation and validation workflows. For instance, some providers offer AI-powered generation of model documentation, which can represent up to 50% of the model development lifecycle, and propose to provide time savings of 60–70% for model developers. This enables alignment with internal policies and regulatory standards while freeing up time for value-added analysis.

Other providers tackle the full model-lifecycle more broadly, providing platforms for AI lifecycle automation and governance that help enterprises manage models from initial intake and development all the way to retirement. Others offer modular platforms with both governance and performance components, allowing financial institutions to manage the model inventory and workflows while also running quantitative tests by integrating with their existing data systems.

Other interesting features are no-code interfaces for configuring and improving automated risk strategies, giving credit and risk teams the ability to deploy or update models autonomously. This reduces friction between model development and validation functions and accelerates internal deployment cycles, which is particularly useful when regulatory requirements evolve or when business needs shift rapidly.

Another benefit is that financial institutions can simulate model deployment scenarios and test regulatory implications in controlled sandbox environments using synthetic datasets. While this does not directly manage model risk, it plays a key enabling role by de-risking model integration and regulatory testing before actual implementation, especially in complex domains like fraud prevention, user onboarding, or sustainability.

Across these solutions, common traits emerge: reproducibility, configurability, integration with validation workflows, and alignment with governance needs. By offering a shared interface for developers, validators, and risk owners, these platforms are designed to help institutions shorten model development cycles from months to weeks, while maintaining full auditability and alignment with supervisory expectations.

For CROs, these accelerators provide more than speed. They embed compliance into the model lifecycle itself, reduce manual workload, and make model risk a manageable—rather than paralyzing—component of the broader risk strategy.

Regulatory-Intelligence Platforms

Helping CROs turn regulatory complexity into proactive, data-driven control

Regulatory-management platforms are transforming how CROs and compliance teams deal with the growing intensity, granularity, and velocity of regulatory change. Instead of relying on fragmented interpretations and manual policy updates, these tools introduce automation, traceability, and real-time intelligence to bring structure and agility to the entire regulatory lifecycle.

Such solutions can be broadly grouped into two main areas:

Automated regulatory intelligence and gap analysis
These platforms are designed to use AI to continuously monitor, extract, and structure regulatory requirements, enabling financial institutions to stay updated in real time. By integrating regulatory content with internal risk frameworks, they can help identify compliance gaps early and assess how regulatory changes impact operational risk, supporting proactive governance.

Machine-readable obligations and control optimization
Tools in this category translate regulatory texts into formats that can be directly mapped onto control frameworks and workflows, accelerating policy updates. Additionally, they support benchmarking and quantification of operational risk controls, enabling continuous improvement beyond compliance toward stronger risk management.

One of the core capabilities of these solutions is the automation of horizon scanning and real-time parsing of regulatory texts. Some platforms use AI to extract, structure, and track regulatory obligations across jurisdictions, enabling financial institutions to stay aligned with evolving rules without dedicating full-time teams to ongoing manual review. This helps improve traceability during implementation by mapping rules to specific internal policies and controls.

Other solutions combine regulatory content with risk-based gap analysis. Their architecture is designed to integrate compact language models trained on compliance terminology, allowing for early identification of impacted internal policies. This reduces regulatory blind spots and accelerates the alignment of internal controls with new requirements. CROs benefit particularly from the ability to visualize how changes in regulation affect operational risk exposures across business units.

Other tools convert regulatory text into machine-readable obligations. Through natural language processing and customizable workflows, these platforms allow institutions to map new obligations directly onto their existing control frameworks. This shortens the time it takes to update internal policies following publication of new regulations, one of the most pressing challenges identified in our analysis.

From a control assurance standpoint, fintechs offer models that quantify nonfinancial risks and benchmark institutions' control environments against peers. By integrating data and control libraries with regulatory obligations, this helps CROs not only comply but also assess the structural robustness of their control environment. This shifts the approach from compliance reporting to continuous control optimization.

One important common denominator of these types of platforms is traceability. Regulatory-management engines can provide obligation mapping and versioned audit trails and decision logs for thousands of policy changes. This enhances defensibility in the event of a regulatory inquiry and supports the increasing demand for supervisory audit-readiness, especially in anticipation of new frameworks.

Emerging-Risk Intelligence Services

Equipping CROs with early-warning capabilities to navigate volatility and future risks

Emerging-risk intelligence services are becoming critical enablers for CROs as they contend with fast-evolving threats such as extreme weather risk, geopolitical instability, cyberattacks, and challenges stemming from the use of artificial intelligence. These solutions do more than collect weak signals; they translate emerging threats into quantifiable, actionable insights that inform real-time decision making.

Emerging-risk management platforms can be broadly categorized into two key areas:

Continuous risk monitoring and early threat detection
These solutions provide real-time surveillance across cyber exposure, AI model risks, geopolitical events, and reputational threats. By integrating diverse data streams and leveraging AI-driven analytics, they enable risk teams to identify emerging vulnerabilities early and respond proactively, improving overall risk visibility and crisis preparedness.

Advanced risk simulation and behavioral intelligence
Platforms in this group focus on modeling complex risk scenarios, such as climate-related physical risks, and analyzing behavioral data to detect fraud and synthetic identity threats. They are designed to support granular scenario planning, regulatory stress testing, and enhanced fraud prevention through detailed analysis of digital interactions.

Platforms specializing in cyber risk ratings are designed to provide continuous monitoring of cyber exposure, including third-party vendor risk. By integrating external data feeds and AI-based scoring, these services allow CROs to move beyond static assessments and gain a dynamic, systemic view of their exposure landscape. Some services translate technical signals into business risk, determining the likelihood and financial impact of scenarios like data exfiltration or ransomware. Their credibility is enhanced by using open standards like the FAIR Institute framework for their calculations.

In the realm of AI-related risks, there are solutions that map, classify, and monitor internal model portfolios. Automated alerts flag emerging threats—such as bias, drift, or instability—supporting early interventions and compliance with increasing regulatory requirements around algorithmic governance like the EU AI Act. These tools also assist in preparing validation and audit documentation, which traditionally posed a heavy burden on risk teams.

When it comes to geopolitical and reputational threats, AI-powered tools can help scan thousands of open-source data streams, including platforms like 4Chan and Reddit, in real time, potentially identifying critical events before they hit mainstream news. This significantly reduces time-to-awareness and transforms crisis response from reactive to preventive, offering CROs a strategic advantage in volatility management.

Some risk intelligence providers offer advanced simulation tools that model physical risk from extreme weather events, factoring in the specific exposure of assets and business lines. These platforms support granular scenario analysis, which is essential for regulatory stress testing and ESG risk assessments and allows CROs to run configurable what-if simulations with high spatial and temporal resolution.

In the area of fraud detection and synthetic identity risk, some providers offer behavioral intelligence derived from "digital footprints." By analyzing signals from a user's email, phone number, IP address, device, and browser in real-time during user onboarding, these services can determine if an identity is real or synthetic, offering an added layer of fraud prevention against emerging AI-generated threats. Another advanced approach to fraud detection is offered by providers that protect the financial institution's digital channels from the client side. By collecting thousands of signals directly from the end-user's web and mobile applications, these platforms are intended to provide continuous and frictionless authentication. This allows them to detect sophisticated threats like account takeover, social engineering, and financial malware that are invisible to traditional server-side security tools, offering the CRO a deeper layer of defense against direct financial losses.

> **"Thanks to this approach, we are able to predict potential fraud, meaning the movement of money, up to 15 days in advance. So we shift risk management into a completely different, more cyber-focused domain, preventing the risk much earlier."**

FINTECH STARTUP CO-FOUNDER & CTO

CROs must be equipped with emerging-risk intelligence tools to anticipate, quantify, and respond proactively. In an environment where threats no longer respect geographic or temporal boundaries, such platforms provide not only faster alerts but also long-term resilience. They are essential components of a modern risk strategy that demands continuous horizon scanning, predictive analytics, and cross-functional collaboration.

Guidelines from Case Analysis: Fintech Solutions for CROs

By analyzing the solutions offered by these companies, it is possible to identify guidelines for understanding which types of fintech solutions, by category, are best suited to address the core challenges faced by CROs, as presented in **Table 1**.

TABLE 1

CRO Key Challenges and Possible Fintech Solutions in Four Functional Categories

			FINTECH TOOLS			
			Data governance engines	**Model-lifecycle accelerators**	**Regulatory-intelligence platforms**	**Emerging-risk intelligence services**
CRO KEY CHALLENGES	**Governance**	*Ambiguous ownership and unclear accountability*	Data lineage features establish clear data ownership	Workflows assign clear roles for model risk accountability	Maps regulations to specific internal owners	
		Static risk appetite frameworks	Provides data transparency needed to inform the RAF		Helps align the RAF with regulatory obligations	Offers quantifiable data on new risks to define appetite for them
	Emerging Risks	*Evolving data requirements for new risks*	Provides infrastructure to integrate and govern new data sources	Helps build and validate models for new risk factors		Provides the new external data streams required
		Operational risk from new regulations	Manages data integrity and access governance required by new rules		Tracks specific obligations from data-centric regulations	
	Key Processes	*Lengthy reporting and poor visualization*	Provides the clean, aggregated data needed for automated dashboards	Can auto-generate model performance and validation reports		
		Manual regulatory change management			Automates horizon scanning and maps regulations to controls	
		Manual non-financial risk controls	Enables automation of data-driven controls		Helps manage and test the entire library of operational risk controls	Identifies control gaps by highlighting external threats

TABLE 1 (CONTINUED)

CRO Key Challenges and Possible Fintech Solutions in Four Functional Categories

			FINTECH TOOLS			
			Data governance engines	**Model-lifecycle accelerators**	**Regulatory-intelligence platforms**	**Emerging-risk intelligence services**
CRO KEY CHALLENGES	**Data, Tech, and Tools**	*Limited flexibility in scenario analysis*	Delivers the clean data foundation required for simulations	Enables faster iteration of models for new scenarios		Provides the external data and threat models for analysis
		Lengthy risk model creation, validation, and updating		Automates key parts of the model-lifecycle		
		Inefficient reconciliation between CRO and CFO data	Automates the reconciliation process with clear data lineage			
		Lack of effective fraud detection systems		Allows for rapid deployment of new, adaptive fraud models		Uses advanced analytics to identify sophisticated fraud patterns
		Poor timely availability of risk data	Directly addresses data silos by centralizing access and promoting quality			

Forging the CRO-Fintech Alliance

Although the strategic value of collaborating with fintechs is clear, the path to a successful partnership is not always straightforward.

For CROs, the challenge is twofold: selecting an engagement model that aligns with the financial institution's risk appetite and navigating the internal hurdles that can stall even the most promising initiatives.

The Spectrum of Engagement Models

The journey of a financial institution-fintech partnership can take three main forms, with different levels of complexities and stakes at play:

Operative agreements: The fintech as a specialized service provider

This is the most common form of partnership, where the financial institution engages a fintech as a vendor to solve a specific problem. From a CRO's perspective, this model is straightforward but still requires navigating the hurdles of third-party risk management. As our research interviews revealed, even for established fintechs operating with a SaaS model, the sales cycle with a large financial institution can take over a year due to the extensive security and compliance checks required.

Pilots and the sandbox model: A gateway to de-risked innovation

While direct procurement is common, many CROs are seeking to test-drive fintech services before committing to a full-scale operative agreement. The sandbox model stands out as a mechanism uniquely suited to the needs of a risk-conscious CRO. Within the broader innovative landscape of financial services, the sandbox is increasingly establishing itself as a credible platform for fostering innovation and collaboration.

Regulators now even provide sandbox environments to support experimentation within a structured, supervised framework. These environments do not weaken regulatory requirements; instead, they allow authorities and innovators to work together in assessing the practical implications of new technologies before they are deployed at scale.

Strategic alliances and industrial agreements: Co-creating long-term value

At the deepest level of collaboration are strategic alliances, where a financial institution and fintech commit resources to achieve a shared, long-term objective, such as developing a new product or entering a new market. These partnerships often involve a greater degree of integration and shared risk but can yield significant competitive advantages.

This deep level of commitment often extends beyond resource sharing to include direct financial investment. In such cases, the financial institution may take a minor or major equity stake in the fintech, creating a joint venture or a tightly-coupled strategic alliance. This financial integration enables both partners to have a vested, long-term interest in the success of the collaboration.

Diving into the Sandbox

Across the globe, the implementation of sandboxes has been growing, and several countries have adopted national sandboxes. As the originator of the sandbox model back in 2014, the UK's Financial Conduct Authority (FCA) has continued to evolve and expand its approach with a system that enables both early ideation and more advanced piloting, creating a comprehensive innovation pathway. As of today, close to 200 proposals have been approved within formal regulatory sandboxes in the UK. The UK model places particular emphasis on allowing firms to test new ideas directly with real customers in a live market, all under the close supervision and flexible guidance of the FCA.

This allows the project sponsors to:

- **Clarify any regulatory ambiguities.** Engage directly with the regulators at an early stage, before a full-scale launch.

- **Reduce integration risk.** A controlled environment permits assessment of a technology's performance and its potential impact on customers without connecting it to the financial institution's core live systems, thus protecting operational stability.

- **Accelerate strategic decision making.** By receiving supervisory feedback early in the development process, the sponsors can make a faster and more informed go/no-go decision on strategic initiatives, allowing the business to move forward with greater confidence.

The CRO's Key Motivations for Partnership

While a financial institution's business units often champion fintech partnerships to drive revenue or enhance the customer experience, the primary drivers for CROs are foundational to the financial institution's long-term success: strengthening institutional resilience and operational control. Our research interviews with CROs highlighted three primary drivers from a risk management perspective:

- **De-risking innovation and transformation.** CROs are tasked with enabling the financial institution's digital and AI strategies while managing the associated risks. Fintechs offer tailor-made platforms that provide the necessary guardrails. This includes AI governance tools that support fair, transparent, and compliant models and cyber-risk platforms that can calculate the financial impact of technical vulnerabilities, allowing for more informed decision making.
- **Gaining efficiency and control.** Many risk and compliance functions are still reliant on manual, error-prone processes. Fintechs that automate these workflows are highly attractive. This includes platforms that automate the entire model-lifecycle from development to retirement and regulatory intelligence systems that automatically parse updates from thousands of regulators and map them to internal controls, replacing manual horizon scanning.
- **Enhancing risk intelligence.** The risk landscape is evolving faster than ever. CROs need sophisticated tools to see around corners. This is where intelligence services provide immense value, whether by monitoring social media and fringe platforms for reputational threats or by analyzing digital footprints to detect unusual fraud and synthetic identities.

Partnerships Face Internal Challenges

While the strategic motives for forging a CRO-fintech partnership are compelling, the path to success is fraught with internal challenges that can be summarized in three archetypes:

The Sponsorship and Budget Hurdle

A primary obstacle to effective partnerships is that fintech founders rarely approach the CRO first, perceiving the CRO as a gatekeeper rather than a buyer. To overcome this, a fintech may need to find an internal champion, someone with influence in the organization who can navigate the financial institution's committee structures. This is amplified by the fact that CROs seldom control a dedicated IT budget, requiring the CRO to secure alignment and funding from another part of the business, such as the CIO, COO, CDO or CISO, a process that can stretch on for months. In some circumstances, such as fraud risk, the CRO often becomes a key stakeholder only *after* a significant fraud event highlights the financial risk, underscoring the need for the risk function to proactively partner with security and fraud teams to secure budget for preventive technologies.

> **"The most successful cases are where, within the department, you find an 'in-house champion' who understands AI. Not just someone who is tech-savvy, but someone with a drive for innovation, who has real expertise."**

FINTECH STARTUP PRINCIPAL CUSTOMER SUCCESS MANAGER

The Process Hurdle: Due Diligence and Data Access

Even with a sponsor and budget, procedural friction can bring collaboration to a halt, as financial institutions have rigorous assessment processes and a high level of data protection, resulting in long endeavors to pass scrutiny and obtain data access. For solutions that touch multiple divisions/departments, the alignment process becomes even more complex. Successful implementation requires buy-in not just from risk and IT, but also from the owners of the digital channels, the fraud department, and compliance, each with their own priorities and concerns, which can further extend the implementation timeline. In this sense, synthetic data and secure sandbox environments are essential tools for more efficient experimentation.

> **“The CRO normally doesn’t have software budget, but they're the ones that need to use this. They’re doing all the proof-of-concepts, testing the functionality, defining the requirements, but they may not be the ones that purchase it.”**

FINTECH STARTUP VP PRODUCT

The Culture and Trust Hurdle

A deep cultural gap exists, and it is a barrier to mutual trust. For successful partnerships, fintechs must learn to speak the language of the risk function, presenting themselves with the level of credibility, compliance readiness, and operational robustness expected by financial institutions. In turn, CROs must learn to trust smaller, faster providers. Each collaboration hinges on the fintech’s ability to demonstrate reliability, security, and long-term viability.

> **“Our product mitigates a lot of risk for the bank, but we never sell into the CRO. We actually sell into the CIO, the CTO, the head of innovation, because of the risk-averse nature of the CROs and the bank policies. Our software positions the CROs from being a gatekeeper or a roadblock to being an enabler.”**

FINTECH STARTUP FOUNDER & CEO

Such hurdles are significant, but they are not insurmountable. To overcome them, the CRO must position risk management as a strategic business partner and accelerator of growth and enterprise value.

It is important for the CRO to define an integration strategy. The goals can be broad (such as focusing on a strategic risk management theme) or narrow (such as improving a single process), but it is important to set guidelines and criteria to encourage collaboration with the right partners, where a boost in speed and innovation makes sense for the overall risk management strategy.

Fintech thinking is not a trend to follow—it’s the line between staying competitive and becoming obsolete.

Marianna Leoni, BCG
Laura Grassi, Politecnico di Milano

Conclusion

For future innovation and collaborative efforts to be successful, it is essential to build evaluation, selection, and integration capabilities into the risk management toolkit.

CROs can position themselves for the future by positioning their role as a strategic business partner essential for growth, using risk management as a business accelerator, and embracing the future characterized by a maturing, more efficient fintech ecosystem.

Positioning the CRO as a Business Partner Essential for Business Growth

The most forward-thinking CROs are leveraging fintech partnerships to evolve their role from that of a gatekeeper to an enabler and a leader steering and growing the financial institution. By providing the business with secure, sandboxed environments to test new technologies safely and offering pre-vetted tools for complex areas like AI governance, they are no longer just saying “no” to innovation. Instead, they are providing a clear, secure, and efficient path to “yes.” As one fintech founder put it, the CRO team could also say, “Here’s the pain. Here are the policies. And here’s the solution that can take that pain away.”

Risk Management as a Business Accelerator

This evolution fundamentally reframes the purpose of risk management. The goal is no longer simply to avoid losses, but to provide the confidence needed for the financial institution to innovate and grow. As one fintech founder said: “Risk management tools are like the brakes on a race car. You don’t have brakes to slow the car down. You have brakes so that you can go faster more confidently.”

In this new paradigm, technology-enabled risk management with data-driven risk quantification is not an end in itself, but a facilitator of innovation and growth, enabling highly accurate decision making and long-term sustainability.

A Maturing and More Efficient Ecosystem

This positive future is supported by a maturing, collaborative ecosystem. Financial institutions are increasingly open to working with specialized fintechs, driven by frustration with slow, outdated systems and the imperative to adopt technologies like AI.

Ultimately, the CRO-fintech alliance is more than a trend; it is a strategic necessity. For the CROs who embrace it, the future is one of enhanced influence, where the risk function is not just a guardian of the financial institution’s stability, but a critical engine for its future growth and resilience.

Study Methodology

The joint Boston Consulting Group–Politecnico di Milano study ran from January to July 2025. We analyzed two datasets: 9,535 financial-technology companies founded since January 2021, and 814 firms providing risk-management services to industrial clients. Of the latter group, 234 sell these solutions directly to banks. From this final subset, we interviewed 15 companies, speaking with C-level executives. We also gathered informal perspectives from several financial institution CROs. Our findings draw on both desk research and these interviews.

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