EDITORIAL: The evolution of risk governance — Balancing digital innovation and institutional soundness

Dear readers!

This issue comprises a series of separate contributions that analyse recent trends and emerging challenges in corporate governance, risk management and compliance within financial and non-financial institutions, emphasising their role in promoting financial stability and economic growth.

In an increasingly digitalised environment, aimed at optimising processes within financial markets, we must be able, on the one hand, to manage risk by making a qualitative leap that goes beyond traditional predictive models and, on the other, to manage a landscape that includes new classes of systemic risk and complex forecasting tools (Arner et al., 2015; Kyriazopoulos, 2024; Li, 2025; Okigbo & Bagheri, 2020).

Research is moving in this direction with the intention of developing increasingly accurate risk modelling and cutting-edge optimisation methodologies inspired by bioinformatics (Genetic Algorithms and Artificial Ant Colonies), which are essential for improving the forecasting of financial market data and for building a more robust quantitative finance that is less sensitive to market volatility, minimising market risks and model risks (*Esin Benhür Aktürk* and *Mustafa Özyeşil*). Against the backdrop of these methodological developments, the explosion of financial platforms such as FinTech and DeFi testifies to the increase in systemic complexity characterised by vulnerability linked to currency risk (*Adilah A. Wahab*, *Siti Aisah Bohari*, and *Pick-Soon Ling*). However, while the digital phenomenon is a driver of operational efficiency and financial literacy (*Xiaomin Huang* and *Fathin Faizah Said*), it also outlines a new risk landscape, requiring serious reflection on the correlation with cryptocurrency market sentiment (*Mohammad Rifqi Mahardhika* and *Moch Doddy Ariefianto*).

We are at a stage where market stability and transparency do not depend solely on the speed of technology, but on the soundness of governance structures at the micro-institutional level. Regulators and institutions are moving towards strengthening protection at the system level and safeguarding overall financial stability. However, intervention by individual regulators through the definition of rules is not sufficient. What is needed is cooperation between countries and institutional governance that is robust in both the private and public sectors. In this context, internal audit and risk management are identified as fundamental pillars of corporate performance and transparency (*Ahmad Saiful Azlin Puteh Salin*, *Zubaidah Ismail*, *Malcolm Smith*, *Suryani Abdul Raman*, *Norliana Omar*, and *Siti Marlia Shamsudin*), extending their crucial role to government institutions and the quality of financial reporting (*Ahmed Salman Almahuzi*).

At the macroeconomic level, the effectiveness of macroprudential policies and monetary policy is intrinsically linked to the quality of country governance and the political-institutional context, varying asymmetrically between different economies (*Jing Chen*, *Fakarudin Kamarudin*, *Bany Ariffin Amin Noordin*, *Lau Wei Theng*, and *Heng Luo*). Furthermore, in an era of increasing digitalisation, where trust in the system can be fragile, risk governance cannot ignore the human, ethical and behavioural dimensions of markets. In fact, the adoption of financial services should be guided by a complex interaction between behavioural theories, religiosity, awareness and trust (*Hamid El Boudaly*, *Bouchaib Marnouch*, and *Abdelbari El Khamlichi*), which are essential for financial stability.

It is within this economic framework — in which there is strong banking competition on credit channels — that an asymmetric impact between high- and low-income countries is revealed (*Tsurayya Rafa Attaqiyya* and *Dadang Lesmana*) necessitating regulatory frameworks that are sensitive to the context and structured to prevent moral hazard, i.e., the tendency of institutions or debtors to take excessive risks knowing that losses will be socialised.

The current issue adds significant value to the existing body of research by bridging the gap between advanced quantitative risk analysis and the socio-institutional frameworks of governance. While traditional literature often treats financial stability as a product of either strict regulation or mathematical precision in isolation (Marnouch & El Khamlichi, 2024; Sikarwar & Sharma, 2020; Sami et al., 2024), the papers collected here argue for a synergetic approach. By exploring the nexus of digital innovation (DeFi, FinTech), ethical-behavioural dimensions, and macroeconomic asymmetries, this issue provides a rigorous conceptual architecture for interpreting the structural complexities of the modern global financial landscape.

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