

Fiduciary Duty in Complex Organizations

A Process-Based Framework for Governance Evaluation and Oversight

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Abstract

Fiduciary duty remains a foundational principle in institutional governance, yet its evaluation has grown increasingly difficult as organizations become more complex, delegated, and model-informed. Traditional assessments that rely on outcomes or ex post performance provide weak signals of fiduciary quality in environments characterized by uncertainty and fragmented accountability.

This paper reframes fiduciary duty as a decision-making discipline under uncertainty and argues that fiduciary failure is most often a governance design problem rather than the product of a single bad decision. It introduces a Process-Based Fiduciary Assessment (PBFA) framework that enables fiduciary boards and oversight bodies to evaluate decision integrity across five dimensions: governance structure, uncertainty management, incentive alignment, monitoring capacity, and escalation readiness.

By shifting oversight focus from outcomes to process quality, the framework supports proportional evaluation, preserves legitimate risk-taking, and strengthens institutional accountability across asset classes and organizational forms.

Keywords: fiduciary duty; governance design; decision-making under uncertainty; delegation; incentive alignment; monitoring and escalation; model risk; process-based oversight; institutional governance

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1. Introduction: Fiduciary Duty in an Era of Complexity and Uncertainty

Fiduciary duty remains one of the most durable principles in institutional governance. Whether applied to pension trustees, corporate boards, sovereign entities, or large non-profit organizations, the fiduciary obligation is meant to ensure that entrusted authority is exercised with care, loyalty, prudence, and ongoing oversight.* These core duties have not changed. What has changed materially is the environment in which fiduciary judgment must be exercised.

Modern fiduciaries operate within organizational structures characterized by scale, delegation, specialization, and interdependence. Decision-making authority is distributed across boards, committees, management teams, external advisers, vendors, and increasingly, formalized models and frameworks. Legal accountability often resides at the board or trustee level, while operational control is exercised elsewhere. Fiduciaries simultaneously face heightened uncertainty driven by volatile markets, long investment horizons, technological change, geopolitical fragmentation, and layered regulatory expectations.

These conditions do not weaken fiduciary duty. They expose a growing gap between how fiduciary duty is traditionally evaluated and how fiduciary decisions are actually made. After-the-fact assessments that rely on outcomes, credentials, or generalized assertions of good faith struggle to distinguish reasonable judgment under uncertainty from genuine governance failure. For oversight bodies, this creates a practical challenge: how to assess fiduciary conduct fairly, consistently, and prospectively without replacing internal decision-making with external judgment.

This paper argues that fiduciary duty in complex organizations is best understood — and evaluated for oversight purposes — as a decision-making discipline under uncertainty, rather than as an obligation to deliver particular outcomes. Outcomes matter. But they are shaped by external forces — structural changes in markets, regulation, or operating conditions — that lie beyond fiduciary control. What fiduciaries can control, and what regulators and oversight bodies can reliably evaluate, is whether decisions were made through governance processes appropriate to the decision context: the importance and potential impact of the decision, the degree of uncertainty involved, and the structure of delegation in place at the time.

By reframing fiduciary duty in process-based terms, oversight bodies gain a more defensible and forward-looking lens. This approach reduces hindsight bias, improves cross-institutional consistency, and preserves legitimate risk-taking. Most importantly, it reflects a pattern observed repeatedly across sectors: fiduciary failure is characteristically a governance design problem, not a single bad decision (OECD, 2010).

*Throughout this paper, the term "oversight" is used broadly to refer to the evaluation and accountability functions performed by regulators, fiduciary boards, trustees, and other external or internal oversight bodies, depending on institutional context.

2. Fiduciary Duty as a Decision Discipline

Fiduciary duty is often described in legal or ethical terms. In operational reality, it functions as a discipline governing how decisions are made when authority is exercised on behalf of others. This distinction becomes critical in environments characterized by uncertainty, incomplete information, and reliance on delegated expertise.

2.1 Classical fiduciary duties, operationalized

The foundational fiduciary duties — care, loyalty, prudence, and monitoring — are well established. Their relevance today lies not in how they are described in theory, but in how they operate under conditions of organizational complexity.

The duty of care requires fiduciaries to act with appropriate diligence and competence. In complex organizations, this does not imply technical mastery of every subject matter. It requires decision processes that ensure relevant information is surfaced, expert input is appropriately challenged, and the level of deliberation is proportionate to the importance and potential impact of the decision (ALI, 2007).

The duty of loyalty is rarely violated through overt self-dealing alone. More commonly, it is weakened through unmanaged conflicts, misaligned incentives, or structural dependencies that limit independence or make objective judgment harder to exercise. Effective loyalty therefore depends on systematic identification, disclosure, and mitigation of conflicts — not their presumed absence (ALI, 2007).

The duty of prudence is often misconstrued as an obligation to avoid risk. Properly understood, prudence requires reasoned judgment under prevailing conditions, including explicit recognition of uncertainty, downside exposure, and alternative courses of action. A prudent decision reflects explicit consideration of assumptions and scenario awareness — not a guarantee of favorable outcomes (ALI, 2007).

The duty to monitor obligates fiduciaries to retain oversight after authority has been delegated. Monitoring is continuous rather than episodic and requires not only information flows, but the practical ability to intervene when conditions change or expectations are breached (ALI, 2007).

These duties describe a structured approach to decision-making and oversight — not a promise of results.

2.2 Decision-making under uncertainty as the fiduciary core

Uncertainty is not an exception to fiduciary duty; it is the environment in which fiduciary duty is most consequential. Long-horizon investments, complex organizational systems, and model-informed decisions cannot be evaluated solely through historical precedent or probabilistic forecasts. Fiduciaries must therefore govern not only measurable risks, but also ambiguity, model limitations, and incomplete information.

In practice, fiduciary breakdowns rarely stem from a single incorrect decision. They more often reflect weaknesses in governance architecture: unclear decision rights, poorly governed assumptions, inadequate challenge, or ineffective escalation mechanisms. These weaknesses may remain hidden for extended periods — masked by favorable conditions — until stress reveals them.

For regulators and oversight bodies, this complicates after-the-fact evaluation. A narrow focus on outcomes risks penalizing reasonable judgment while overlooking structural deficiencies that made failure foreseeable. What remains consistently observable, even under uncertainty, is the quality of the decision process itself.

2.3 Process quality as a proxy for oversight evaluation

Evaluating fiduciary conduct through process quality provides a neutral and scalable basis for oversight. High-quality fiduciary processes share common characteristics: clearly assigned decision rights, explicit treatment of uncertainty, disciplined handling of conflicts, documented reasoning, and mechanisms for ongoing monitoring and escalation.

Process-based evaluation does not dictate specific decisions or constrain legitimate risk-taking. It establishes minimum governance conditions under which discretion can be exercised responsibly. This approach aligns fiduciary oversight with proportional evaluation — scaling scrutiny to the size, complexity, and impact of decisions — and accommodating institutional diversity while strengthening accountability (OECD, 2010).

If fiduciary duty is a decision discipline, the next question is where that discipline most often breaks down. The answer lies in organizational complexity.

3. Why Complexity Systematically Undermines Fiduciary Oversight

Complexity does not excuse fiduciary failure. It reshapes the mechanisms through which failure occurs. Modern organizations introduce structural features that weaken traditional oversight unless governance is deliberately designed to address them.

3.1 Delegation chains and diffusion of responsibility

Delegation expands institutional capacity by allowing decisions to be executed by those with specialized expertise or operational proximity. It also distributes responsibility across boards, committees, management, advisers, and third parties.

In many institutions, legal accountability remains concentrated at the top while practical control is dispersed. Without explicit governance design, this diffusion creates ambiguity over who owns risk, who is responsible for independent challenge, and who has authority to intervene.

Documentation becomes fragmented across entities, and accountability becomes retrospective rather than continuous (OECD, 2015; Sing, 2021).

3.2 Information asymmetry and dependence on expertise

As organizations grow more complex, fiduciaries increasingly oversee activities they cannot independently verify. Reliance on experts, consultants, and analytical models becomes unavoidable. The fiduciary obligation therefore shifts: from performing analysis to governing how analysis is produced, interpreted, and used.

Failures in this context rarely reflect lack of expertise. They arise when expertise substitutes for governance — when assumptions go unchallenged, dissent is suppressed, or outputs are accepted without scrutiny. Effective fiduciary oversight requires structured challenge, not technical replication (BCBS, 2015).

3.3 Speed, scale, and compressed decision cycles

Technological and organizational change has accelerated decision cycles and expanded operational scale. Automated processes and global operations reduce the time available for deliberation and intervention. Traditional governance rhythms — periodic meetings and retrospective reporting — often lag operational reality.

In such environments, fiduciary oversight must be embedded ex ante through clear guardrails, predefined escalation triggers, and retained intervention rights. Without these mechanisms, speed and scale amplify governance weaknesses rather than efficiency (BCBS, 2015).

3.4 Cross-entity and cross-border fragmentation

Many fiduciary structures span multiple legal entities and jurisdictions, each subject to different regulatory expectations. Legal responsibility may reside in one entity while operational control rests in another. Reporting standards and risk definitions may diverge across the same organization.

This fragmentation complicates both fiduciary practice and effective oversight. Organizational charts offer limited insight into where authority and accountability actually reside. Effective oversight therefore requires attention to governance coherence across entities, not formal structure alone (OECD, 2015).

3.5 Synthesis

Across these dimensions, complexity introduces vulnerabilities that outcomes alone cannot reveal. Fiduciary failures often become visible only when stress tests governance arrangements — by which point, underlying weaknesses have typically accumulated over time. This is precisely what motivates the need for a process-based assessment framework.

4. A Process-Based Fiduciary Assessment Framework (PBFA)

Traditional fiduciary evaluation relies on outcomes, intent, or professional credentials. In complex organizations, none provides a reliable basis for oversight judgment. Outcomes are

noisy, intent is difficult to surface, and credentials do not guarantee sound governance. What remains observable, comparable, and institutionally meaningful is the quality of the decision process itself (Power, 2007).

This section introduces the Process-Based Fiduciary Assessment framework, designed to support oversight evaluation without substituting external judgment for managerial discretion.

4.1 The logic of process-based assessment

A process-based approach does not make outcomes irrelevant. It recognizes that outcomes alone are insufficient indicators of fiduciary quality under uncertainty. Sound fiduciary processes shape what outcomes are feasible and constrain those that should be unacceptable. Scenario awareness, assumption discipline, and escalation readiness are therefore integral to responsible outcome management (OECD, 2010).

From an oversight perspective, PBFA offers three advantages: reduced hindsight bias through evaluation based on information available at the time of the decision; consistency across asset classes and institutional forms; and proportional application based on institutional complexity and the significance of the decisions under review.

4.2 What PBFA evaluates — and what it does not

PBFA evaluates governance integrity, not decision correctness. It does not prescribe strategies, risk appetites, or operational models, nor does it provide a safe harbor against losses. It asks whether fiduciaries exercised judgment through processes appropriate to the decision context as it existed at the time (OECD, 2015).

Table 1: Process-Based Fiduciary Assessment – Core Pillars

Pillar	Focus
I	Decision rights and accountability
II	Governance of uncertainty and assumptions
III	Conflict and incentive control
IV	Monitoring, triggers, and escalation
V	Documentation and oversight clarity

4.3 Pillar I: Decision rights and accountability

Effective fiduciary governance begins with clarity over who decides, who advises, who challenges, and who escalates. Oversight assessment should examine whether decision rights are

explicitly allocated, documented, and exercised in practice. Ambiguity in decision ownership is a recurring precursor to fiduciary failure. Evidence includes committee charters, delegation memoranda, voting records, and documentation of dissent and escalation (NACD, 2023).

4.4 Pillar II: Governance of uncertainty and assumptions

Fiduciary decisions rest on assumptions. Governance quality depends on whether those assumptions are surfaced, clearly defined, and revisited over time — not on whether they prove correct. Regulators and oversight bodies should assess whether uncertainty was explicitly acknowledged, scenarios were considered, and limitations in analysis were recognized and documented (NACD, 2023).

4.5 Pillar III: Conflict and incentive control

Conflicts are structural features of modern institutions. Fiduciary loyalty depends on identifying and mitigating conflicts arising from compensation structures, adviser relationships, or overlapping roles. Assumed independence without supporting controls is insufficient — and is itself a governance weakness (OECD, 2010).

4.6 Pillar IV: Monitoring, triggers, and escalation

Delegation reallocates execution, not responsibility. Fiduciaries must retain the capacity to monitor and intervene. Monitoring should be understood as governance infrastructure — not performance tracking. Clear triggers, predefined escalation pathways with decision authority, and practical intervention capacity are essential to meaningful oversight (OECD, 2015).

4.7 Pillar V: Documentation and oversight clarity

Documentation enables third-party reconstruction of decision rationale. Regulators and oversight bodies should be able to identify objectives, alternatives considered, assumptions made, and follow-up actions assigned. Documentation is not bureaucracy; it is the evidentiary backbone of fiduciary accountability (NACD, 2023).

4.8 PBFA as an oversight lens

PBFA is a diagnostic lens, not a compliance checklist. It supports evaluation of fiduciary conduct without prescribing specific decisions, organizational structures, or risk appetites, and does not substitute external judgment for institutional discretion.

Applied proportionately, it focuses attention on how assumptions are formed, how challenges are incorporated, and how authority and escalation are structured — rather than on whether outcomes match hindsight expectations. This enables consistent evaluation across institutions with differing mandates, scales, and operating models.

The framework is both evaluative and forward-looking: it enables assessment of past decisions while supporting early identification of governance weaknesses before failure reveals them.

5. Delegation Without Relinquishment: The Fiduciary Duty to Monitor

Delegation is not a weakness of modern governance; it is a necessity. Complex organizations require specialization, scale, and operational proximity that fiduciaries themselves cannot replicate. Delegation reallocates execution — not responsibility. The fiduciary duty to monitor is the mechanism through which accountability is preserved once authority has been transferred.

Failures attributed to delegated parties are therefore rarely caused by the act of delegation itself. They are failures of delegation design — specifically, failures to retain governance capacity, challenge authority, and intervene when conditions change (OECD, 2015).

5.1 Delegation as a fiduciary design decision

The decision to delegate is itself a fiduciary act. It reflects judgments about competence, incentives, scope of authority, and the feasibility of ongoing monitoring. Poorly designed delegation arrangements can reduce fiduciary oversight to a formality rather than a meaningful control.

Effective delegation requires clarity on four elements: scope (what authority is transferred and what is retained); constraints (mandate boundaries, risk limits, and conditions); information (what must be reported, when, and in what form); and intervention (how and when fiduciaries can act if expectations are breached). Where any of these elements are weak, undefined, or taken for granted, delegation becomes a structural source of fiduciary risk (OECD, 2015; Sing, 2022).

5.2 Common delegation failure modes

Oversight experience across sectors reveals recurring patterns. Outcome substitution occurs when monitoring focuses on performance metrics while mandate compliance, risk profile, and process quality receive limited attention. Reputation substitution arises when fiduciaries rely on brand, track record, or institutional prestige in place of active oversight. Incentive distortion emerges when compensation structures reward short-term outcomes while penalizing transparency or prudence. Intervention paralysis occurs when fiduciaries retain formal authority on paper but lack the practical ability to exercise it.

These failures often coexist, reinforcing one another and obscuring governance weaknesses until stress forces recognition (OECD, 2010).

5.3 The minimum viable duty to monitor

Monitoring should not be confused with micromanagement. It is best understood as retained governance capacity. At a minimum, fiduciaries should be able to demonstrate ongoing due diligence scaled to the importance and potential impact of the delegated mandate; the ability to challenge information and decisions independently, rather than relying solely on self-reporting; mandate compliance review that is distinct from performance evaluation; and readiness to modify, suspend, or terminate delegated authority when conditions warrant.

Where fiduciaries lack credible intervention options, monitoring becomes formalistic rather than effective (OECD, 2015).

5.4 Delegation chains and traceability

As delegation chains lengthen, fiduciary risk compounds. Authority may pass through multiple internal and external actors before decisions are executed. Oversight evaluation must therefore focus on traceability: the ability to reconstruct who relied on whom, based on what information, and with what authority to act. Traceability failures often signal governance gaps rather than operational mishaps — and they are among the clearest indicators that accountability has become retrospective rather than continuous (OECD, 2015).

5.5 Third-party and vendor risk as fiduciary risk

Operational failures involving service providers, technology vendors, or external operators are frequently treated as technical or contractual matters. In fiduciary contexts, they are governance failures. Concentration risk, subcontracting opacity, and contractual limits on oversight access materially affect fiduciaries' ability to fulfill their duties. Effective fiduciary monitoring must therefore extend beyond financial performance to encompass operational resilience and third-party governance (BCBS, 2015; FSB, 2020).

6. Decisions Under Model Uncertainty: Model Risk as Fiduciary Risk

Models — financial, quantitative, strategic, or operational — are indispensable tools in modern governance. When governed well, they enhance discipline, consistency, and transparency. When governed poorly, they introduce a distinct form of fiduciary risk: the risk that judgment is replaced rather than informed. Model risk is therefore not merely a technical concern. It is a fiduciary one (BCBS, 2011).

6.1 Models as decision inputs, not decision-makers

Fiduciaries may rely on models, but they cannot delegate judgment to them. Model-informed decisions are decisions supported by analytical or quantitative outputs while preserving human judgment and fiduciary accountability. Treating model outputs as authoritative rather than conditional undermines accountability and inflates confidence beyond what the underlying assumptions justify.

This distinction becomes especially important when models are embedded in governance frameworks, where their outputs may be treated as authoritative by default rather than through deliberate governance design (BCBS, 2011).

6.2 Sources of model-related fiduciary risk

Model-related fiduciary risk arises from multiple, often interacting sources. Assumption fragility occurs when key assumptions remain implicit or untested. Selection bias arises when data inputs

are chosen in ways that support preferred outcomes, creating an illusion of reliability. Model drift refers to underlying relationships within the model — such as correlations, assumptions, or parameter sensitivities — that degrade over time without detection. Opacity emerges when decision-makers lack sufficient understanding of model mechanics to challenge outputs meaningfully.

These risks are magnified when models are used to manage expectations rather than inform judgment (BCBS, 2011). Each also implicates the PBFA framework directly — particularly Pillar II (governance of assumptions) and Pillar V (documentation required to make model reliance reviewable).

6.3 Governance expectations for model use

Sound governance does not require fiduciaries to build or validate models themselves. It requires that institutions establish clear ownership of models and assumptions; independent validation proportional to model impact; defined limits on model use and minimum standards for understanding and interpreting model outputs; and escalation protocols when outputs behave unexpectedly or when underlying conditions change materially.

Without these controls, model reliance becomes a mechanism for diffusing responsibility rather than enhancing discipline (BCBS, 2011).

6.4 Human judgment and override discipline

Human judgment remains essential, particularly during periods of structural change in markets, regulation, or operating conditions, and during stress events. Overrides must be governed with the same discipline as model use itself. Arbitrary overrides undermine credibility; undocumented overrides undermine accountability. Effective fiduciary practice requires that overrides be rare, reasoned, documented, and reviewable (BCBS, 2011).

6.5 Oversight red flags

From a supervisory perspective, recurring warning signs include: absence of a model inventory — a comprehensive record of all models in use, including their purpose, ownership, and assumptions —; model validation — the process of testing whether models function as intended and remain appropriate — treated as a formal compliance exercise rather than an effective governance check; reliance on models without documented assumptions; and no contingency planning for model failure or structural breakdown. These indicators often precede more visible fiduciary failures and warrant early supervisory attention (BCBS, 2011).

7. Fiduciary Failures as Governance Failures: Illustrative Vignettes

Fiduciary failures are commonly examined through outcomes — losses incurred, mandates breached, or reputational damage sustained. While outcomes may trigger scrutiny, they are weak

diagnostics of fiduciary quality in complex systems. This section presents three illustrative vignettes that reflect recurring governance failure modes, intentionally generalized from specific institutions to reveal structural patterns rather than assign blame (Power, 2007).

7.1 Why illustrative vignettes serve regulators and oversight bodies

Institution-specific case studies risk focusing attention on idiosyncratic conduct rather than on the structural conditions that made failure possible. These vignettes are designed to allow regulators, oversight bodies, and fiduciary boards to identify vulnerabilities before outcomes force recognition. The diagnostic value lies in the pattern, not the particulars (Power, 2007).

7.2 Vignette I: Delegation without effective monitoring

Scenario. A fiduciary board delegates broad investment authority to an external manager with performance-linked incentives. Early results meet expectations, and reporting emphasizes returns. Over time, risk concentrations increase beyond the board's stated tolerance, but monitoring remains output-focused — tracking performance rather than mandate compliance or risk discipline. A stress event reveals concentrations the board did not know it held.

Governance diagnosis. Monitoring was conflated with performance review, leaving mandate boundaries and risk posture unexamined. Incentive structures rewarded favorable reporting over transparency about emerging risks. Escalation authority existed in the delegation agreement but lacked predefined triggers and practical mechanisms for activation — leaving escalation authority effectively unused in practice.

PBFA mapping. Pillar I (diffuse accountability over risk ownership); Pillar III (incentive misalignment between manager and board); Pillar IV (intervention capacity that was formal but not functional).

The failure lies not in the decision to delegate, but in the governance design surrounding it (OECD, 2010).

7.3 Vignette II: Model reliance and suppressed judgment

Scenario. A major asset allocation decision is informed by quantitative models embedded in the institution's governance framework. Model outputs are presented to the investment committee with limited contextual challenge. Assumptions underlying the models are not explicitly surfaced or documented. When market structure shifts in ways the model was not designed to capture, the outputs deteriorate — and the committee has no established protocol for recognizing or responding to model breakdown.

Governance diagnosis. Key model assumptions were neither explicitly identified nor actively revisited as conditions evolved. Validation was treated as a technical compliance exercise rather than a substantive governance check. Human judgment was effectively displaced by model outputs rather than structured to challenge and interpret them.

PBFA mapping. Pillar II (poor governance of uncertainty and assumptions); Pillar V (inadequate documentation of decision rationale and model limitations).

The failure reflects an absence of judgment governance, not a lack of analytical capability (BCBS, 2011).

7.4 Vignette III: Cross-entity governance fragmentation

Scenario. An institution operating across multiple entities and jurisdictions centralizes strategic decisions but decentralizes execution. An operational compliance incident surfaces — and reveals that no single point of fiduciary authority exists to address risks that cut across entities. Reporting lines and governance standards vary across the group, and accountability for the incident cannot be clearly assigned.

Governance diagnosis. Formal legal responsibility was separated from operational decision authority without a governance mechanism to bridge this gap. No clear escalation path existed for cross-entity risks. Governance standards diverged across jurisdictions, weakening accountability at the group level.

PBFA mapping. Pillar I (fragmented decision rights across entities); Pillar IV (escalation failure at the group level).

The fiduciary breakdown arises from structural incoherence, not isolated misconduct (OECD, 2015).

7.5 Cross-vignette synthesis

Across all three vignettes, fiduciary failure emerges as an accumulation of governance weaknesses rather than a discrete error. Outcomes reveal failures; governance design explains them. The consistent pattern — delegation without retained oversight, model use without assumption governance, structural complexity without coherent escalation — reinforces the case for process-based assessment as an early detection tool rather than an after-the-fact audit (OECD, 2010; Power, 2007).

8. Policy and Oversight Implications

The preceding sections establish fiduciary duty as a decision-making discipline governed by process quality rather than outcome realization. This reframing has direct implications for how regulators, standard setters, and oversight bodies evaluate fiduciary conduct in complex organizations.

A process-based approach strengthens fiduciary accountability. Properly applied, it strengthens oversight credibility by grounding evaluation in observable governance practices rather than contested judgments about what decisions should have been made.

8.1 From outcome review to governance evaluation

Outcome-driven oversight is an imperfect proxy for fiduciary quality in environments characterized by uncertainty and delegation. Identical decision processes can yield divergent outcomes; weak governance can persist undetected during favorable conditions. These two observations together explain why outcome-focused oversight so often misses the failures that matter most.

A process-based approach addresses this asymmetry. By focusing on decision rights, uncertainty governance, conflict controls, monitoring, and escalation, regulators and oversight bodies can assess fiduciary integrity prospectively — without relying on hindsight. This reduces outcome bias and improves consistency across institutions and asset classes.

Importantly, this approach preserves appropriate risk-taking. It does not require fiduciaries to avoid losses, only to demonstrate that losses were incurred within a governance framework capable of managing downside risk and responding to change.

8.2 Baseline oversight expectations for fiduciaries

Without prescribing a single governance structure, regulators can reasonably expect fiduciaries to demonstrate the following governance conditions: clear allocation of decision rights and accountability, including escalation authority; explicit acknowledgment of uncertainty, assumptions, and scenario ranges in material decisions; active conflict identification and incentive alignment; retained monitoring and intervention capacity following delegation; and documentation sufficient for an independent third party to reconstruct decision rationale.

These expectations establish the conditions for responsible discretion — not guarantees of outcomes. They are scalable and proportionate, reflecting institutional size, complexity, and the significance of decisions under review.

8.3 PBFA as an oversight tool, not a compliance checklist

The PBFA framework is not intended to operate as a checklist or safe harbor. Its value is diagnostic. Oversight bodies can deploy it through existing supervisory mechanisms: mapping governance roles and decision responsibilities during routine reviews; examining decision records and escalation logs to understand how issues were identified and addressed; tracing how decisions and responsibilities flowed across delegated parties and organizational layers; and requesting confirmation that model use is governed appropriately for its importance and impact.

Used in this manner, PBFA complements safety-and-soundness oversight, behavioral and market-conduct regulation, and operational resilience frameworks — rather than competing with them.

8.4 Proportionality and institutional diversity

A core strength of PBFA is proportionality. Complex, systemically important institutions require more elaborate governance infrastructure than smaller or less complex entities. What matters is not whether governance structures look the same, but whether they are sufficient to perform their

intended function. Process-based oversight avoids imposing one-size-fits-all governance models while maintaining a consistent standard for fiduciary integrity across the institutional spectrum.

8.5 Policy synthesis

Strengthening fiduciary governance through process-based oversight enhances institutional resilience, improves early detection of governance weaknesses, and supports defensible oversight action across sectors. More importantly, it provides a shared language through which fiduciaries and oversight bodies can engage constructively — before failures force engagement.

9. Conclusion: Fiduciary Duty as Governance Infrastructure

Fiduciary duty has not diminished in relevance as organizations have grown more complex. Its importance has increased. As authority becomes more distributed, decisions more model-informed, and accountability more fragmented, fiduciary duty functions as essential governance infrastructure — the connective tissue that holds institutional accountability together under conditions of uncertainty.

This paper has argued that fiduciary duty in complex organizations is best understood, and evaluated for oversight purposes, as a decision-making discipline under uncertainty. Outcomes matter, but they are insufficient indicators of fiduciary quality. What endures is the integrity of governance design: how decisions are structured, how uncertainty is governed, how incentives are aligned, and how accountability is preserved over time.

The Process-Based Fiduciary Assessment framework offers regulators and fiduciary boards a practical lens through which these questions can be addressed. It does not expand fiduciary obligations, prescribe outcomes, or eliminate risk. It clarifies how fiduciary duty operates in practice under modern organizational conditions.

Across sectors and institutional forms, a consistent pattern emerges: fiduciary failure is rarely the result of a single bad decision. It is most often the consequence of governance designs that failed to surface critical assumptions, align incentives, or preserve intervention capacity when it mattered. Recognizing this pattern is the first step toward addressing it prospectively rather than retrospectively.

Uncertainty is unavoidable in complex systems. Fiduciary duty does not promise certainty. Its value lies in ensuring that when uncertainty materializes, governance remains accountable, transparent to oversight bodies, and capable of timely response.

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