



Operational Risk Management Excellence Survey: Key Findings

Financial institutions' progress
and challenges as they strive for
Operational Risk Management Excellence

2019

Key Findings

The results of the Survey reveal that financial institutions of all sizes continue to make important strides with respect to the following areas:

- Increased use of the ORM framework to challenge business models.
- Heightened attention toward strengthening risk culture.
- Broadened deployment of operational risk appetite at the enterprise, line of business, and legal entity levels.
- Further standardization of risk and control taxonomies, rating scale, and linkage between processes, risks, and controls.
- Greater effective challenge of first line of defense (first LOD) risk activities.
- Broadened efforts to converge risk and control assessments, driven by executives across the first and second LODs.
- Enhanced ORM data supported by clear governance, standards, and owners.
- Continued adoption of innovative technologies to drive process excellence and analytics in ORM.

There is, however, significant work to be done by financial institutions as they strive toward operational risk excellence, including:

- Further positioning the ORM framework so that it is fully aligned with firm strategy and seen as an enabler of strategic change, business performance, and customer experience.
- Elevating first and second LOD involvement and results in strengthening risk culture.
- Enhancing first LOD communication and escalation of issues outside of established risk appetite.
- Improving communication between the first and second LODs on emerging risks and changes to the internal and external environment.
- Deploying E2E process risk assessments across business lines and divisions to develop a more complete picture of risk, dependencies, hand-offs, and redundant controls.
- Expanding convergence efforts beyond risk taxonomies and rating scales to drive increased efficiencies and more effective analysis and management of risk.
- Enhancing control testing to create more dynamic and efficient monitoring, escalation and management of exposure.
- Establishing robust operational risk dashboards supported by integrated data and tools to deliver consistently meaningful reporting to business lines, risk teams, executive management, and the board.

The goal to achieve enhanced risk management while driving greater process efficiency, automation, and digitization, in the midst of a changing regulatory environment, will require greater strategic planning and dexterity in execution. The promise is that ORM excellence will deliver a competitive advantage and increased return on investment to firms able to achieve it.