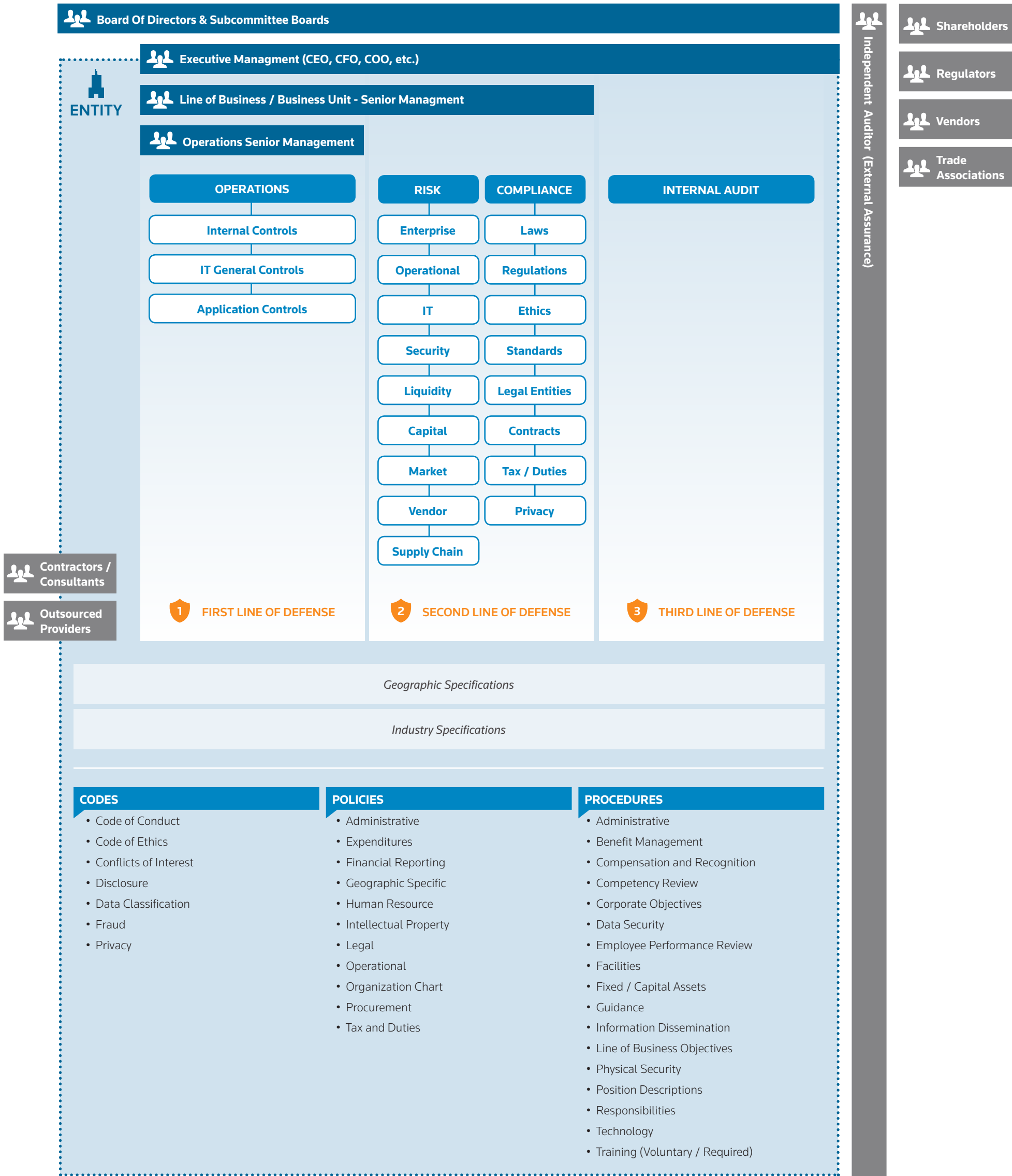# Understanding the Three Lines of Defense

"The Three Lines of Defense" is a widely used metaphor for understanding how organizations should work collaboratively to manage the wide range of risks that a business can face. This infographic explores how organizations could conceptualize relationships between teams, functions and outputs within this model.

Board Of Directors & Subcommittee Boards

Executive Managment (CEO, CFO, COO, etc.)

Line of Business / Business Unit - Senior Managment

Operations Senior Management

ENTITY

Independent Auditor (External Assurance)

| Shareholders |
| Regulators |
| Vendors |
| Trade Associations |

OPERATIONS	RISK	COMPLIANCE	INTERNAL AUDIT
Internal Controls	Enterprise	Laws	
IT General Controls	Operational	Regulations	
Application Controls	IT	Ethics	
	Security	Standards	
	Liquidity	Legal Entities	
	Capital	Contracts	
	Market	Tax / Duties	
	Vendor	Privacy	
	Supply Chain		

Contractors / Consultants

Outsourced Providers

1 FIRST LINE OF DEFENSE   **2** SECOND LINE OF DEFENSE   **3** THIRD LINE OF DEFENSE

Geographic Specifications

Industry Specifications

CODES
- Code of Conduct
- Code of Ethics
- Conflicts of Interest
- Disclosure
- Data Classification
- Fraud
- Privacy

POLICIES
- Administrative
- Expenditures
- Financial Reporting
- Geographic Specific
- Human Resource
- Intellectual Property
- Legal
- Operational
- Organization Chart
- Procurement
- Tax and Duties

PROCEDURES
- Administrative
- Benefit Management
- Compensation and Recognition
- Competency Review
- Corporate Objectives
- Data Security
- Employee Performance Review
- Facilities
- Fixed / Capital Assets
- Guidance
- Information Dissemination
- Line of Business Objectives
- Physical Security
- Position Descriptions
- Responsibilities
- Technology
- Training (Voluntary / Required)

Read more about establishing a risk appetite for unifying the lines of defense at:
https://risk.thomsonreuters.com/whitepaper/prudential-risk-management-three-lines-defence

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