SHUSA Risk Transformation: Target Reporting Landscape (SHUSA, SBNA, SCUSA)

8/25/2015

Executive Summary

Coverage

- We have defined a **draft target reporting landscape** for **SHUSA, SCUSA and SBNA**

Framework

- *Target Reporting Protocols*: This document outlines clear principles and escalation guidelines for SHUSA
- *Target Frequency/Number of Reports*: The target state requires few changes from current state; the main exceptions relate to new reports to fulfill requests (CRO dashboard) or updated committee structures (e.g., risk committee centralized under SHUSA)
- *Target Report Format and Content*: This document includes improvements for the existing reports in terms of optics, content and governance; generally, more significant changes are recommended for SHUSA and SCUSA reports vs. SBNA reports

Next Steps

- Based on today's discussion, the joint OW-SHUSA team will work towards **finalizing the target reporting landscape** for SHUSA, SBNA and SCUSA
- Continue/begin **developing templates for Wave 1 reports**, including assessment of data feasibility / medium vs. longer term improvements

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Agenda

1. Target Reporting Landscape Summary
2. Summary of Waves 1/2/3+
3. Next Steps

Appendix
1. SHUSA Target Reporting Landscape Details
2. SBNA Target Reporting Landscape Details
3. SCUSA Target Reporting Landscape Details
4. Risk Reporting Assessment – framework / additional details
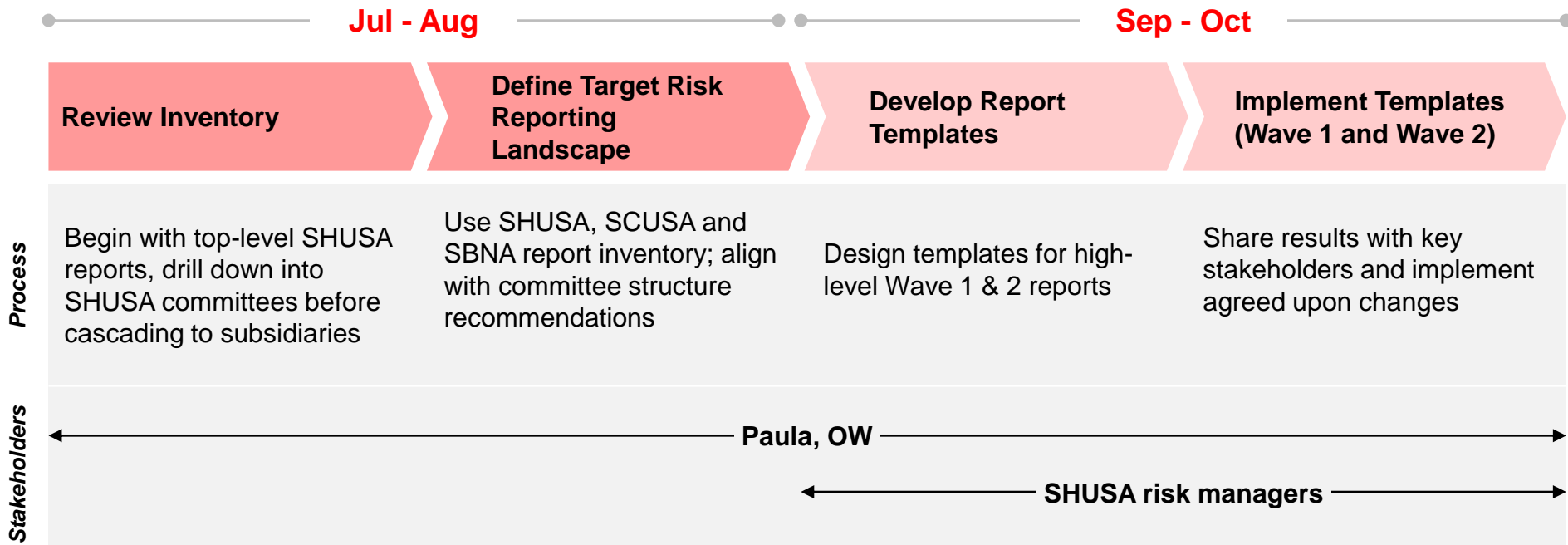5. SHUSA CRO Report Sign-off Process

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Section 1

TARGET REPORTING LANDSCAPE SUMMARY

Target Reporting Landscape: Approach
Over the last two months, the focus has been reviewing the existing reporting inventory and defining the target landscape

SHUSA Risk Transformation: Risk Reporting Timeline Overview

	Jul - Aug		Sep - Oct	
	Review Inventory	**Define Target Risk Reporting Landscape**	**Develop Report Templates**	**Implement Templates (Wave 1 and Wave 2)**
Process	Begin with top-level SHUSA reports, drill down into SHUSA committees before cascading to subsidiaries	Use SHUSA, SCUSA and SBNA report inventory; align with committee structure recommendations	Design templates for high-level Wave 1 & 2 reports	Share results with key stakeholders and implement agreed upon changes
Stakeholders	← Paula, OW →		← SHUSA risk managers →	

Today's discussion will focus on our completed review of the existing inventory and a draft of the target landscape for SHUSA, SBNA & SCUSA

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Target Reporting Principles
Adhering to a set of reporting principles will increase the impact of reports on senior decision making

Target Reporting Principles

Principle	Description	Impact on Decision Making
Modularity	• Same themes at different levels of granularity (e.g., short summary for Board, LOB details for Management Committees)	• Information alignment across levels of seniority • More efficient processes / up-to-date information
Actionability	• Readable early warning system to track current state relative to limits, linked to preventative actions	• Preventative decision making rather than reactive decision making
Accountability	• Follow-up actions / owners listed and tracked in report	• Increased ownership over actions
Consistency	• Consistent themes month-to-month • Templates for figures / charts used regularly	• Trend tracing
Clarity and Usefulness	• Pithy, analytic, forward-looking comments on graphs/charts going beyond presentation of data	• Increased insight into risk drivers
Comprehensiveness	• Reporting covers all relevant areas and metrics necessary for a complete view of risks	• Increased awareness of range of potential risks
Customization	• Tailored analysis on key issues e.g. relevant trends/threat scenarios	• Greater knowledge share between LOBs and senior management
Accuracy, Timeliness, and Adaptability	• Accurate, properly reconciled data • Data delivered on actionable timelines • Easily adaptable processes for automated output of reports	• *Note: not focus of this evaluation, as these principles relate to data processes*

☐ Focus of reporting assessment

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Target Reporting Landscape Scope
The focus of defining the target reporting landscape will be on the core risk reports linked to Board level reporting

Target Reporting Landscape: Core Risk Reports

	SHUSA	SBNA	SCUSA		SIS (NY)	BSI (Miami)	PR
Board	Covered	Covered	Covered		TBC	TBC	TBC
BRC	Covered	Covered	Covered		TBC	TBC	TBC
ERMC	Covered	Covered	Covered		TBC	TBC	TBC
Credit Risk	Covered	Covered	Covered		TBC	TBC	TBC
Market Risk	Covered	N/A	N/A		N/A	N/A	N/A
Operational Risk	Covered	Covered	Covered		TBC	TBC	TBC
Compliance Risk	Covered	Covered	Covered		TBC	TBC	TBC
Model Risk	Covered	N/A	N/A		N/A	N/A	N/A
CRO Dashboard	Covered	N/A	N/A		N/A	N/A	N/A

Board (Board, BRC, ERMC)
Risk Committees (Credit Risk, Market Risk, Operational Risk, Compliance Risk, Model Risk, CRO Dashboard)

Legend:
- Covered in this report
- N/A - does not exist[1]
- TBC pending confirmation of entity structure

Out-of-scope for the target risk reporting landscape

- **Regulatory reports**[2] (e.g., compliance reports for the US Compliance Office)
- **Ad-hoc reports** produced by each risk type (e.g., special project status updates)
- **Routine approval reports** (e.g., quarterly ALLL report)
- **Daily risk reports** for trading/investments
- Any other **non-risk reports** (e.g., business performance summaries)

Changes to the SHUSA / SBNA / SCUSA reporting landscape will be cascaded to the other entities

1: Based on 8/3 proposed committee structure 2: Excludes Institutional Review (in-scope), to be updated to align to recommendations

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Target Reporting Landscape Overview
There are three elements necessary to define the target reporting landscape

Target Reporting Landscape

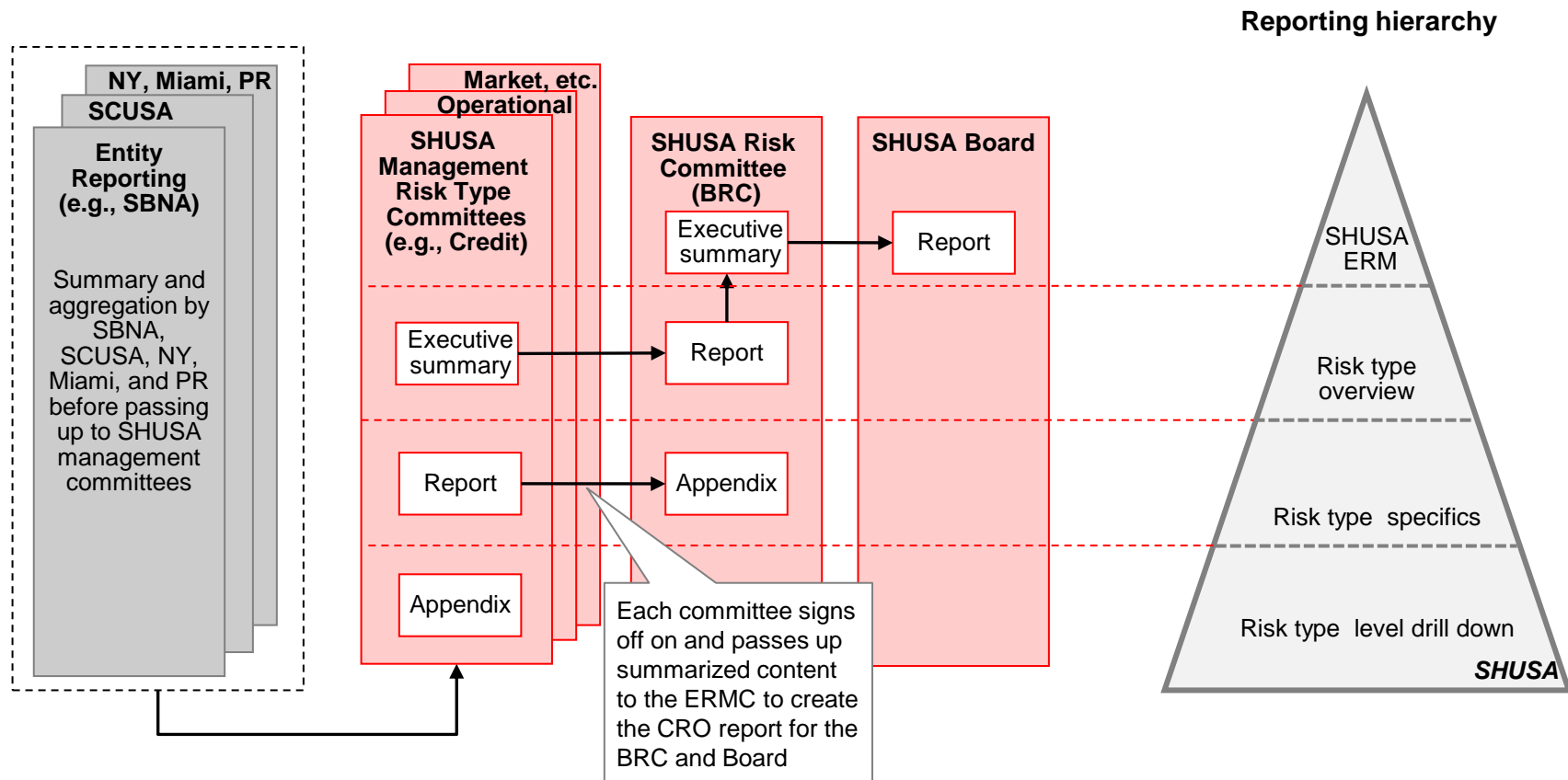|	**1** Outline Target Reporting Protocols	**2** Identify Target Number / Frequency of Reports	**3** Assess Existing Report Inventory	**4** Template Development, Data Remediation, and Rollout
Key Questions	• How should modularity work?	• What reports should be produced and at what frequency? • Are there gaps/consolidation opportunities in the existing landscape?	• How is the quality of the existing reports to be included in the target state?	• What metrics should be included, in the near-term and longer-term? • What is the feasibility of the metrics?
Key Deliverables	• Define escalation process	• Overview of Target Reporting Landscape for SHUSA and each of the legal entities	• List of quick-wins *(complete)* • List of recommendations to improve existing reports	• Templates (target and current state)
Approvals Needed	• John Hennessy	• John Hennessy	• John Hennessy / Brian Gunn	• Brian Gunn • Individual Risk Managers

This document covers steps 1-3 for SHUSA, SBNA and SCUSA

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Target Reporting Protocols: Escalation Process

1 2 3 > 4

The escalation process is based on modularity, with summary sections of management reports serving as the body to more senior reports

Modular Escalation Process for Target Reporting Landscape

Reporting hierarchy

NY, Miami, PR
SCUSA
Entity Reporting (e.g., SBNA)

Summary and aggregation by SBNA, SCUSA, NY, Miami, and PR before passing up to SHUSA management committees

Market, etc.
Operational
SHUSA Management Risk Type Committees (e.g., Credit)

Executive summary

Report

Appendix

SHUSA Risk Committee (BRC)

Executive summary

Report

Appendix

SHUSA Board

Report

SHUSA ERM

Risk type overview

Risk type specifics

Risk type level drill down

SHUSA

Each committee signs off on and passes up summarized content to the ERMC to create the CRO report for the BRC and Board

Note: Current state for SHUSA (operational risk example) shown in appendix

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Target Frequency/Number of Reports
The target frequency of reports is largely aligned with the current state, with most changes coming out of the new committee structure

Target v. Current Reporting Landscape[1]
Numbers indicate reports reviewed by each committee

Based on 8/3 Proposed Committee Structure

		SHUSA		SBNA		SCUSA	
		Current	Target	Current	Target	Current	Target
Board	**Board**	1 M	1 M	1 M	1 M	1 M	1 M
	BERC	1 M	1 M	1 M	1 M	1 M	1 M
	ERMC	1 M	1 M	1 M	1 M	1 M	1 M
Risk Type Committees	**Credit Risk**	1 M	1 M	1 M	1 M	1 M	1 M
	Market Risk	1 M	1 M	1 M	No MRC	1 M	No MRC
	Operational Risk	1 M	1 M	1 M	1 M	1 M	1 M
	Model Risk	1 M	1 M	*No SBNA/SCUSA MRMC in target structure*			
	Compliance Risk	1 Q	1 M, 1 Q	*Monthly report for Compliance Office [2]*			
	CRO Dashboard	None	1 W	*CRO Dashboard will cover SBNA and SCUSA*			

Recommendations

1 No Market Risk Committee at the SBNA / SCUSA level

– Market Risk function will be centralized at SHUSA level (based on current understanding of target committee structure)

– Current market risk cuts in SBNA / SCUSA CRO reports will continue to be produced by centralized Market Risk Committee

2 Monthly SHUSA Compliance Risk Report focused on metrics actionable by management

3 Weekly SHUSA CRO Dashboard covering key risk metrics for SHUSA, SBNA, and SCUSA

Note: Q = Quarterly report, M = Monthly report, W = Weekly report
1: The proposed ALLL Management Committee would review the same routine quarterly ALLL report currently created by the Credit Committee for board approval; this report is out of scope
2: Per the scope of "core risk reports", the entities produce regulatory monthly reports to the US Compliance Office

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Existing Report Inventory Assessment: SHUSA

1 **2** **3** **4**

Based on our assessment framework, SHUSA reports generally have room for major improvements

| ● Major Change Relative to Target | ● Moderate Change Relative to Target | ● Minimal Change Relative to Target |

Evaluation of Existing Core Reports Applicable to Target State[1]

		Level of Change	Key Areas for Improvement	Key Limitations
Monthly Board Reports	**Board**	●	• Ensure commentary is more forward-looking and focused on business insights vs. summarizing business performance • Focus on critical risk metrics rather than business metrics (e.g., risk-adjusted margin vs. gross margin) • Include action plans with owners & timelines	• Data aggregation across entities
	BERC			
	ERMC			
Monthly MC Reports	**Credit Risk**	●	• Explicitly structure each entity's section so that key monthly metrics are reported clearly in the same format for each entity • Add more forward-looking commentary/metrics; increase modularity with CRO report	• Data aggregation across entities
	Market Risk	●	• Add key market risk metrics (e.g., scenarios) available from Market Risk but currently not included in report • Add more forward-looking commentary/metrics; increase modularity with CRO report	• Lack of escalation of certain metrics
	Operational Risk	●	• Add more action plans with owners & timelines; increase modularity with CRO report • Provide additional historical data to show trends/progress	• Differences in op risk function across entities
	Compliance Risk	●	• Ensure the executive summary clearly captures key insights/takeaways for management	• Regulatory rather than managerial focus
	Model Risk		*To be covered in MRM reporting stream*	
	New Product		*TBD – dependent on Governance workstream*	

1: The proposed ALLL Management Committee would review the same routine quarterly ALLL report currently created by the Credit Committee for board approval; this report is out of scope
Note: See backup slides for details on additional details and filenames of reports reviewed

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Existing Report Inventory Assessment: SBNA

1 2 3 > 4

Based on our assessment framework, SBNA reports require relatively fewer improvements

Evaluation of Existing Core Reports Applicable to Target State[1]

● Major Change Relative to Target ● Moderate Change Relative to Target ● Minimal Change Relative to Target

		Level of Change	Key Areas for Improvement	Key Limitations
		SBNA		
Monthly Board Reports	**Board**	● (green)	• Add a summary slide upfront with key takeaways for management • Improve existing action plans/owners by covering more issues	• Alignment with SHUSA reporting requirements • Lack of model validation
	BERC			
Monthly MC Reports	**ERMC**			
	Credit Risk	● (yellow)	• Implement a more explicit structure to ease interpretation • Include more forward-looking commentary/projections of metrics where possible	• Alignment with SHUSA reporting requirements • Lack of model validation
	Operational Risk	● (green)	• Include more historical metrics (e.g., issues over time) to show more trends/progress	
	Compliance Risk		*Monthly compliance report out of scope (report submitted for regulatory compliance with the Fed)*	
	New Product		*TBD – dependent on Governance workstream*	

1: The proposed ALLL Management Committee would review the same routine quarterly ALLL report currently created by the Credit Committee for board approval; this report is out of scope
Note: See backup slides for details on additional details and filenames of reports reviewed

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Existing Report Inventory Assessment: SCUSA

1   2   **3**   >   4

Based on our assessment framework, SCUSA reports generally have room for moderate improvements

Evaluation of Existing Core Reports Applicable to Target State[1]

	Major Change Relative to Target	Moderate Change Relative to Target	Minimal Change Relative to Target
(legend)	🔴	🟡	🟢

		Level of Change	Key Areas for Improvement	Key Limitations
Monthly Board Reports	**Board**	🔴	• Ensure commentary is more forward-looking and focused on business insights vs. summarizing business performance • Focus on critical risk metrics rather than business metrics (e.g., RoRWA vs. ROA and profits) • Include action plans with owners & timelines	• Data collection and reconciliation processes
	BERC			
Monthly MC Reports	**ERMC**	🟡	• Reorganize executive summary so the main risks are clearly highlighted • Ensure metrics focus on key credit risk vs. business performance	• Data collection and reconciliation processes
	Credit Risk			
	Operational Risk	🟢	• Present information in a "dashboard" format to increase modularity • Include more historical metrics (e.g., issues over time) to show more trends/progress	• Data collection and reconciliation processes
	Compliance Risk	*Monthly compliance report out of scope (report submitted for regulatory compliance with the Fed)*		
	New Product	*TBD – dependent on Governance workstream*		

1: The proposed ALLL Management Committee would review the same routine quarterly ALLL report currently created by the Credit Committee for board approval; this report is out of scope
Note: See backup slides for details on additional details and filenames of reports reviewed

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Section 2
SUMMARY OF WAVES 1/2/3+

Overview of Reporting Waves

Based on the gaps defined in the target landscape, the following is the suggested waves of reports

1 2 3 > 4
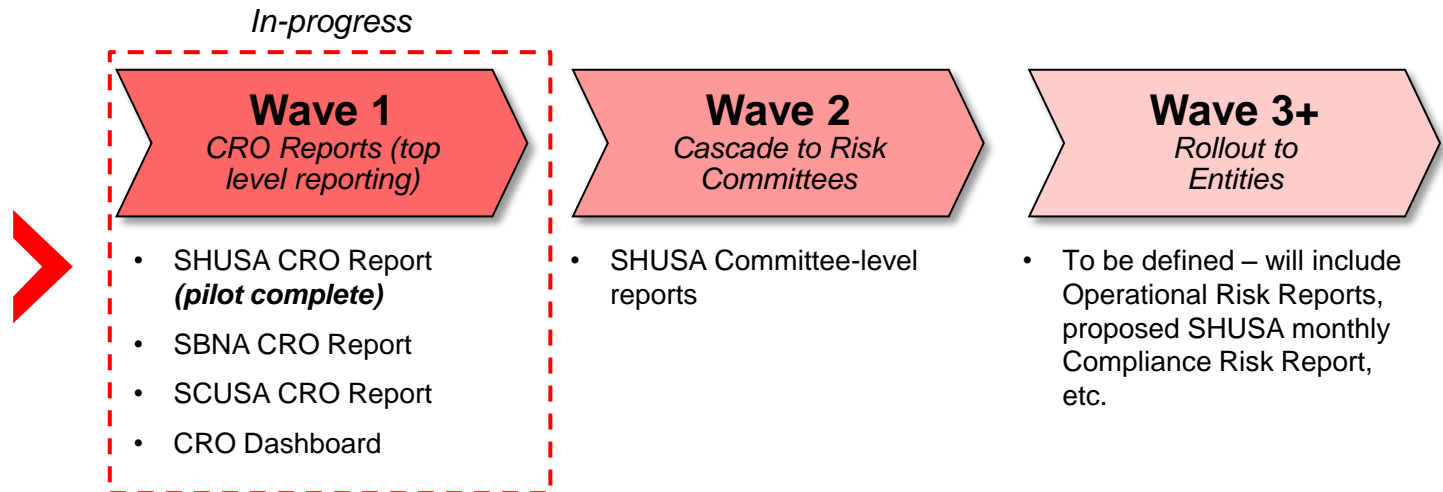
Preliminary

Reporting Wave Deliverables
All Waves

Oliver Wyman:
✓ Template Design

SHUSA:
✓ Implementation
- Pilot
- Data Quality Audit
- Validation
- Fully Operational Report

In-progress

Wave 1
CRO Reports (top level reporting)

- SHUSA CRO Report *(pilot complete)*
- SBNA CRO Report
- SCUSA CRO Report
- CRO Dashboard

Wave 2
Cascade to Risk Committees

- SHUSA Committee-level reports

Wave 3+
Rollout to Entities

- To be defined – will include Operational Risk Reports, proposed SHUSA monthly Compliance Risk Report, etc.

Owner	Responsibility	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Oliver Wyman	Design	Wave 1	Wave 2		Wave 3			
SHUSA	Implement		Wave 1		Wave 2		Wave 3	

Confirmation of the reports selected for the waves is dependent on data availability and buy-in from risk managers, which will limit the number of reports that can be rolled out simultaneously

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Section 3
NEXT STEPS
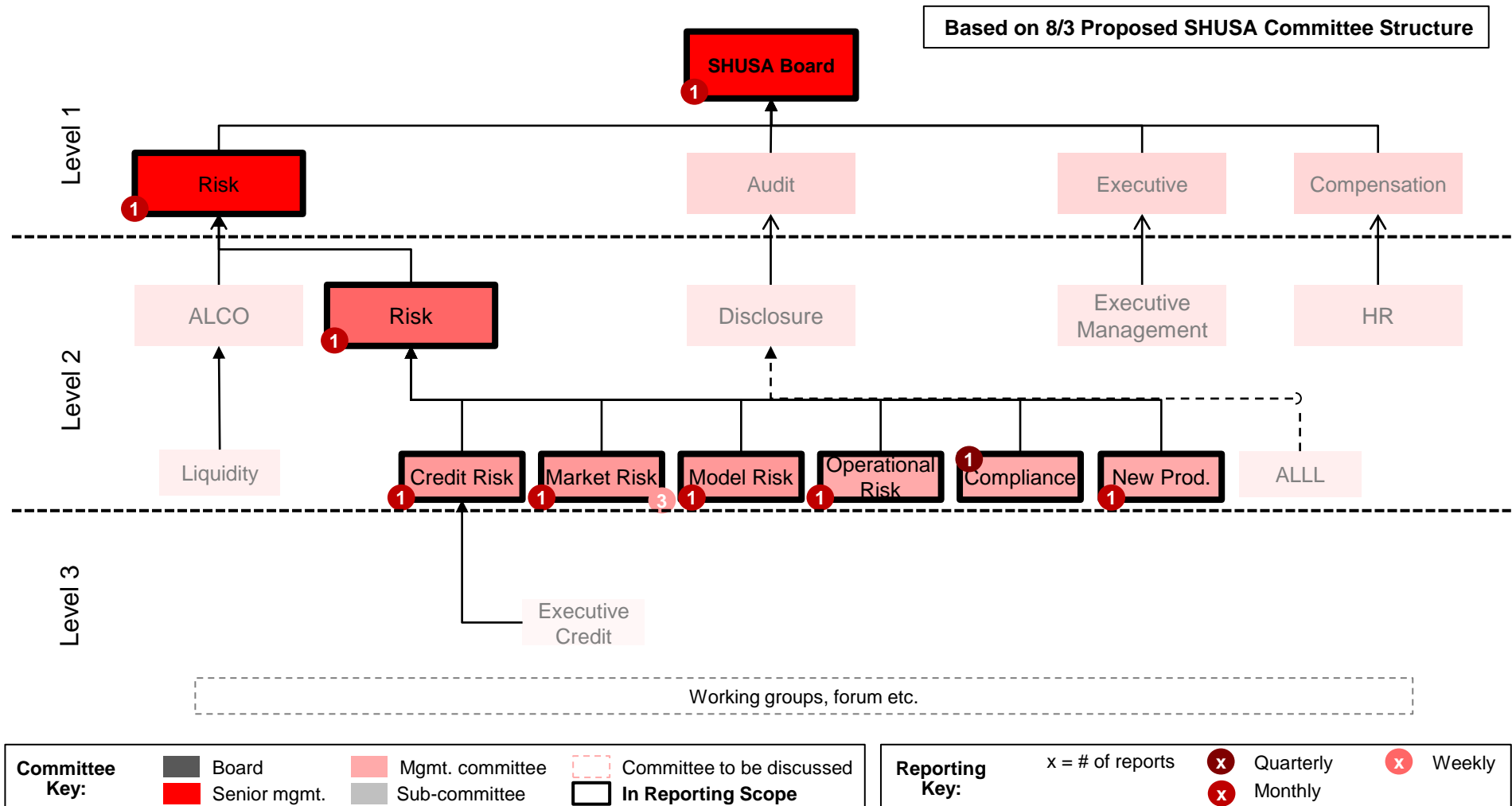
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Next Steps

- Incorporate feedback and finalize proposed target reporting landscape for SHUSA, SCUSA and SBNA (8/18 – 8/20)

- Check-in with Brian to get approval on suggested wave definitions (*tentative* – 8/20)

- Develop draft target reporting landscape for NY, Miami and Puerto Rico (8/13 – 9/4)

- Continue/begin developing templates for Wave 1 reports (*in-progress* – 11/09)

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Appendix 1

SHUSA TARGET REPORTING LANDSCAPE DETAILS

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Target Reporting Landscape: SHUSA (1/3)
In the target state, each of the key Board committees will continue to review one comprehensive report

Based on 8/3 Proposed SHUSA Committee Structure

Level 1

SHUSA Board — 1

Risk — 1

Audit

Executive

Compensation

Level 2

ALCO

Risk — 1

Disclosure

Executive Management

HR

Liquidity

Credit Risk — 1

Market Risk — 1 / 3

Model Risk — 1

Operational Risk — 1

Compliance — 1

New Prod. — 1

ALLL

Level 3

Executive Credit

Working groups, forum etc.

Committee Key:
- Board
- Senior mgmt.
- Mgmt. committee
- Sub-committee
- Committee to be discussed
- In Reporting Scope

Reporting Key:
x = # of reports
- X Quarterly
- X Monthly
- X Weekly

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Target Reporting Landscape: SHUSA (2/3)
Each senior management and Board-level committee will see one key report

Committee	Target Reports	Frequency	Target Content
SHUSA Board	• CRO Report for the Board	• Monthly	• Executive Summary • Main Risks • Board Decisions
BERC	• CRO Report for the BERC	• Monthly	• Executive Summary • Main Risks • Board Decisions • Appendix – Risk Appetite – 1-slide Executive Summary for each risk type
ERMC	• ERMC Report	• Monthly	• Executive Summary • Risk Appetite • Main Risks • Appendix – Capital Risk – Credit Risk – Market Risk – Liquidity Risk – Structural Risk – Operational Risk – Compliance and Regulatory Risk – Recommendation and Internal Audit – Model Risk

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Target Reporting Landscape: SHUSA (3/3)
Each of the risk-type committee's reports will be modular and directly flow into the CRO report

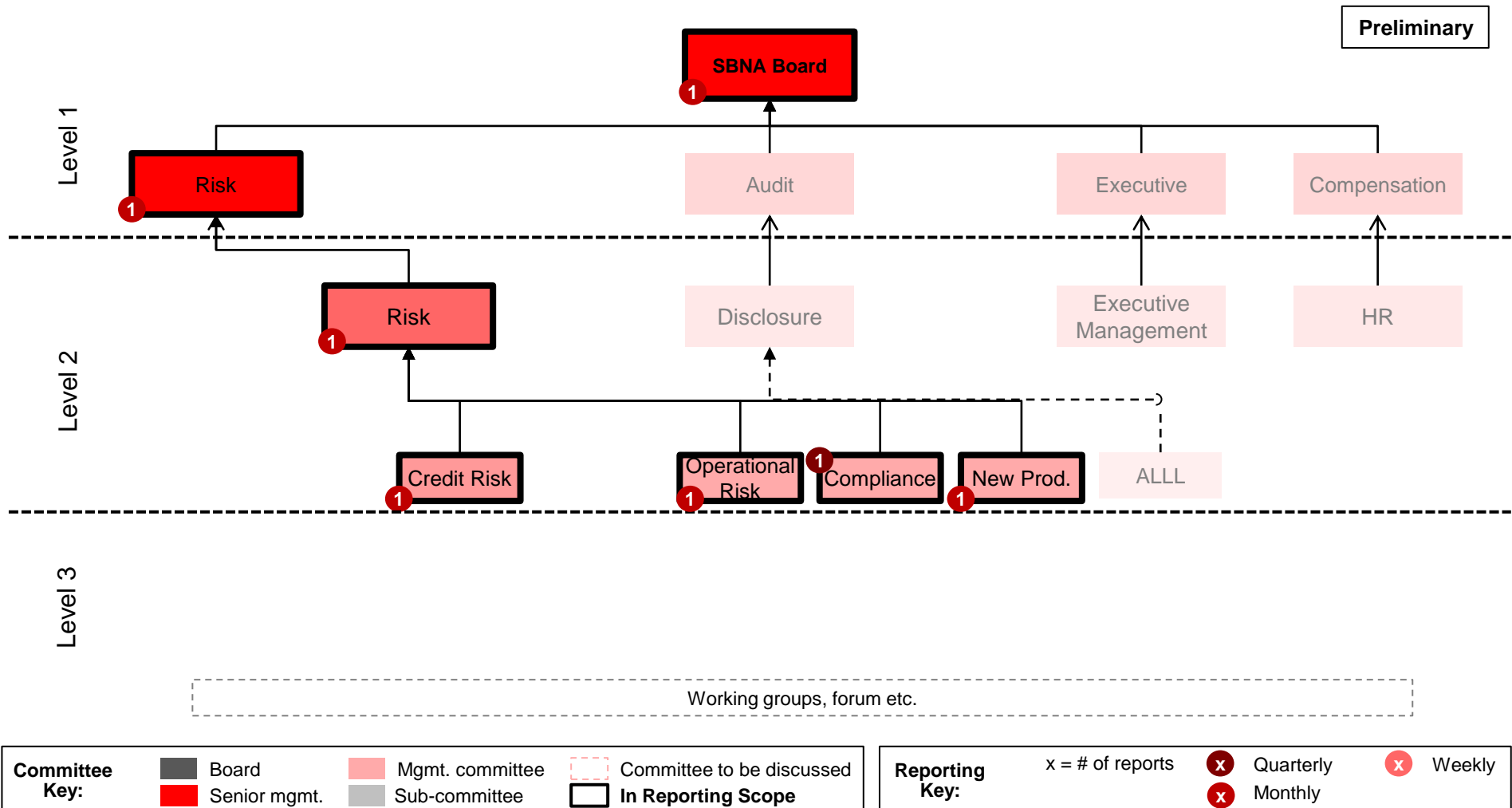| Committee	Target Reports	Frequency	Target Content
Credit Risk	• Credit Risk Report	• Monthly	• For each legal entity, include the following sections: – Exposure – Capital – Credit Quality – Stress Testing (managerial) – Limits – Concentration – EWS
Market Risk	• Market Risk Report	• Monthly	• RAS and Operation Limits • Portfolio • Securities Analysis • Other Market Risk Analysis • Project Updates
Operational Risk	• Operational Risk Committee Report	• Monthly	• For each legal entity, where applicable, include Main Risks, Emerging Risks, Program Updates, Incidents, and Operational Risk Dashboards
Model Risk	• Model Risk Report	• Monthly	• *TBD based on MRM reporting workstream*
New Product	• New Product Risk Report	• Monthly	• *TBD*

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Appendix 2
SBNA TARGET REPORTING LANDSCAPE DETAILS

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Target Reporting Landscape: SBNA (1/3)
In the target state, each of the key Board committees will continue to review one comprehensive report

Preliminary

Level 1

Level 2

Level 3

SBNA Board ①

Risk ①   Audit   Executive   Compensation

Risk ①   Disclosure   Executive Management   HR

Credit Risk ①   Operational Risk ①   ① Compliance ①   New Prod. ①   ALLL

Working groups, forum etc.

Committee Key:			
■ Board	■ Mgmt. committee	⸽ Committee to be discussed	
■ Senior mgmt.	■ Sub-committee	☐ In Reporting Scope	

Reporting Key: x = # of reports   ● x Quarterly   ● x Weekly   ● x Monthly

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Target Reporting Landscape: SBNA (2/3)
Each senior management and Board-level committee will see one key report

Committee	Target Reports	Frequency	Target Content
SHUSA Board	• SBNA CRO Report for BERC/Board	• Monthly	• High Risks • Risk Updates

BERC	• SBNA CRO Report for BERC/Board	• Monthly	• High Risks
			• Risk Updates
			• Appendix
			  – PMO
			  – Risk Appetite
			  – Dashboard Metrics & Exposure

ERMC	• SBNA CRO Report (ERMC)	• Monthly	• Dashboard & Exposure • Risk Appetite • Risk Updates • PMO • Top Risks • Emerging Risks

Target Reporting Landscape: SBNA (3/3)
Each of the risk-type committee's reports will be modular and directly flow into the CRO report
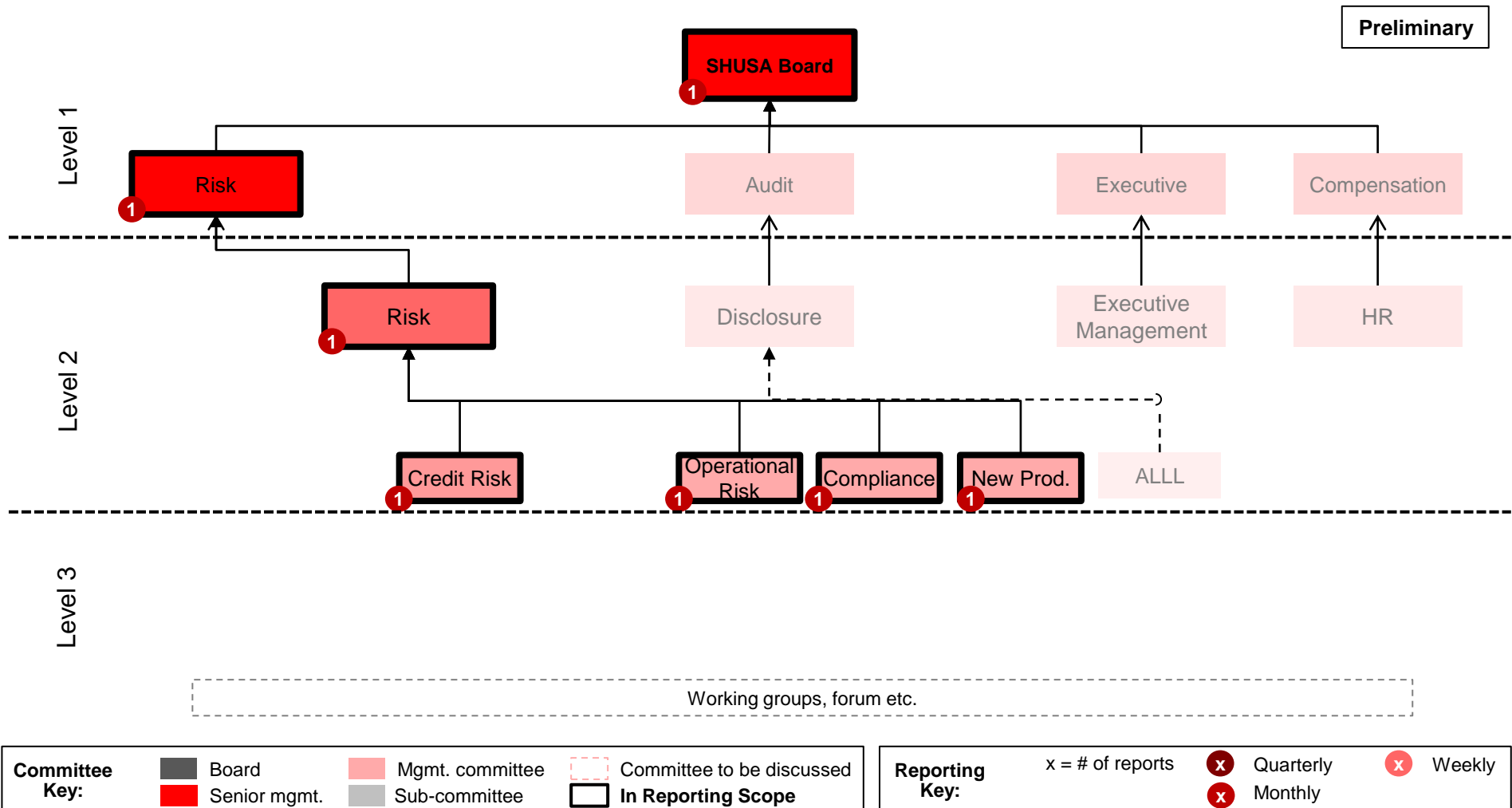
Committee	Target Reports	Frequency	Target Content
Credit Risk	• Full Credit Presentation	• Monthly	• Ensure portfolio overview covers the following: – Exposure – Capital – Credit Quality – Concentration – Early Warning Signal
Operational Risk	• Operational Risk Committee Report	• Monthly	• All sections currently included – Business Continuity Management – Vendor Risk Management – Information Risk Management – Appendix (dashboard, KRIs, metrics)
New Product	• New Product Risk Report	• Monthly	• *TBD*

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Appendix 3
SCUSA TARGET REPORTING LANDSCAPE DETAILS

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Target Reporting Landscape: SCUSA (1/3)
In the target state, each of the key Board committees will continue to review one comprehensive report

Preliminary

Level 1

SHUSA Board — **1**

Risk — **1**

Audit

Executive

Compensation

Level 2

Risk — **1**

Disclosure

Executive Management

HR

Credit Risk — **1**

Operational Risk — **1**

Compliance — **1**

New Prod. — **1**

ALLL

Level 3

Working groups, forum etc.

Committee Key:	Board	Mgmt. committee	Committee to be discussed	**Reporting Key:**	x = # of reports	Quarterly	Weekly
	Senior mgmt.	Sub-committee	**In Reporting Scope**			Monthly	

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Target Reporting Landscape: SCUSA (2/3)
Each senior management and Board-level committee will see one key report

Committee	Target Reports	Frequency	Target Content
SHUSA Board	• SBNA CRO Report for BERC/Board	• Monthly	• High Risks • Risk Updates

BERC	• SBNA CRO Report for BERC/Board	• Monthly	• High Risks
			• Risk Updates
			• Appendix
			  – PMO
			  – Risk Appetite
			  – Dashboard Metrics & Exposure

ERMC	• SBNA CRO Report (ERMC)	• Monthly	• Dashboard & Exposure • Risk Appetite • Risk Updates • PMO • Top Risks • Emerging Risks

Target Reporting Landscape: SCUSA (3/3)
Each of the risk-type committee's reports will be modular and directly flow into the CRO report

Committee	Target Reports	Frequency	Target Content

Credit Risk	• Full Credit Presentation	• Monthly	• Ensure portfolio overview covers the following:
			  – Exposure
			  – Capital
			  – Credit Quality
			  – Concentration
			  – Early Warning Signal

Operational Risk	• Operational Risk Committee Report	• Monthly	• All sections currently included
			  – Business Continuity Management
			  – Vendor Risk Management
			  – Information Risk Management
			  – Appendix (dashboard, KRIs, metrics)

New Product	• New Product Risk Report	• Monthly	• *TBD*

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Appendix 4
RISK REPORTING ASSESSMENT

Risk Reporting Assessment: Current State
Existing reports which fit the target state are assigned a RYG rating based on the following assessment framework

Component | **Dimension** | **Ratings**

1 Optics

| a | Structure / format |
| b | Ease of interpretation |

2 Content

a	Appropriate metrics
b	Commentary
c	Actions

3 Governance

a	Audience
b	Ownership
c	Timeliness

Red	Yellow	Green
• Missing multiple key sections • Report format difficult to interpret • Key issues not explicitly presented • Not covering appropriate entities	• Lacks nice-to-have section (eg Exec Sum) • Some formatting changes could increase value • Key issues visible but not easily located	• Includes all relevant sections in a logical and consistent order • Format is easy to interpret and visually appealing • Key issues clearly highlighted
• Key risk metrics missing • No commentary or merely descriptive commentary • No action plans, owners, timelines listed	• Some additional metrics/cuts would provide more insight • Commentary analytical but not as forward-looking/ insightful as possible • Action plans, owners, timelines for some but not all issues	• All proper metrics included and appropriately segmented • Pithy, forward-looking, analytical commentary • Action, owners, timelines for all issues
• Major lag times (eg, 2+ months for a monthly report) • No differentiation of report for audience • Lack of clear ownership over report	• Data lag issues (<2 months) • Some tailoring of report for audience • Ownership or QC unclear for minor sections of report	• Report is as up to date • Report is clearly tailored to the audience • Report has clear ownership and QC in all sections

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Risk Reporting Assessment: SHUSA Existing Inventory (1/2)
SHUSA's reports often summarize past performance instead of distilling the key issues going forward and laying out action/resolution plans

SHUSA Core Risk Reports

| Committee(s)	Report	R/Y/G	Recommendations		
			Optics	Content	Governance
Board / BERC / ERMC[1]	*June 2015 CRO Report*	🔴	• Structure to prioritize key sections up front (e.g., move credit section toward front) • Move peer reviews into the main body	• Add essential risk metrics, and make existing metrics (as well as commentary) more forward-looking • Include more action plans with owners and timelines	• Reduce data lag – Currently 2 months (e.g., April data for June Report)
Credit Risk[2]	*CRC Report or ERMC (5/15)*	🔴	• Define the structure of the report more clearly so that it is easier to follow • Increase the modularity so that sections can be reused for the CRO report	• Add more forward-looking metrics and/or forecasts/projections • Add essential risk metrics where possible • Include more action plans with owners and timelines	• Reduce data lag – Currently 2 months (e.g., March data for May Report)

1: See the document *20150707 SHUSA Risk Reporting - CRO Report Analysis v5* for more details
2: See the document *20150630 SHUSA Credit Risk Report Review v4* for more details

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Risk Reporting Assessment: SHUSA Existing Inventory (2/2)
SHUSA's reports often summarize past performance instead of distilling the key issues going forward and laying out action/resolution plans

SHUSA Core Risk Reports

| Committee(s)	Report	R/Y/G	Recommendations		
			Optics	Content	Governance
Market Risk[1]	*MRC Report or ERMC (5/15)*	🟡	• Alter the structure so that is more comprehensive (existing structure only covers 'Trading,' and the 'Market Risk' section is not exhaustive)	• Additional key market risk metrics – that exist in other reports – should be included • Remove the duplication of NIM and MVE sensitivity analysis in the report	• Reduce data lag – Currently 2 months (e.g., February data for April Report)
Operational Risk[2]	*ORMC Report (3/15)*	🔴	• Increase modularity - dashboard format is not used in the CRO report	• Add more action plans / issue tracking with owners and timelines • Provide more historical data	• Reduce data lag – Currently 2 months (e.g., January data for March Report)
Compliance Risk	*Q2 Analysis (Q2 2014)*	🟡	• Report can provide more compelling executive summaries	• Very detailed report, but executive summary should clearly distill key issues and action plans	• N/A – published quarterly

1: See the document *20150702 SHUSA MRC Report Review v1* for more details
2: See the document *20150701 SHUSA ORMC Report Review v1* for more details

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Risk Reporting Assessment: SBNA Existing Inventory
SBNA's reports generally include developed analysis and action plans; some formatting changes and additional metrics could increase value

SBNA Core Risk Reports

Committee(s)	Report	R/Y/G	Recommendations		
			Optics	Content	Governance
Board / BERC / ERMC[1]	*April 2015 CRO Report*	🟢	• Add a summary slide upfront with takeaways from risk type dashboards • Reorganize dashboards by risk type	• Although action plans and key owners are frequently listed, include them for all applicable issues • Include projections where possible for risk metrics	• Reduce data lag – Currently 2 months (e.g., February data for April Report)
Credit Risk[2]	*CRC Report (2/15)*	🟡	• Implement a more explicit structure within the portfolio overview (e.g., exposure, capital, credit quality, concentration, EWS) to increase modularity	• Include projections where possible • Look to include additional risk-focused metrics (e.g., EWS, ecap, ratings dist., concentration)	• Reduce data lag – Currently 1 month (e.g., January data for end of February Report)
Operational Risk[3]	*ORMC Report (2/15)*	🟢	• The report is currently well-structured and clear, with easily interpreted dashboards	• Include some additional metrics where possible (e.g., issues by source and by identifier over time) • Add owners to action plans and timelines to increase accountability	• Reduce data lag – Currently 1 month (e.g., January data for end of February Report)

1: See the document *20150701 SBNA CRO Report Review v4* for more details 2: See SBNA: Jan 2015 Credit Report for more details
3. See SBNA: February 2015 ORMC Report for more details

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Risk Reporting Assessment: SCUSA Existing Inventory
Additional risk-focused metrics would increase the value of SCUSA risk reports

SCUSA Core Risk Reports

Committee(s)	Report	R/Y/G	Recommendations		
			Optics	Content	Governance
Board / BERC / ERMC[1]	*Appendix 1 ERMC June 2015 Final (6/15/15)*	🔴	• Modularity exists as sections come from risk-type reports (TBC), but individual section content can be improved	• See recommendations for each risk-type committee	• Reduce data lag – Currently 2 months (e.g., April data for June Report)
Credit Risk[2]	*CRC June 11 Meeting (6/15/15)*	🟡	• Reorganize the executive summary so that main risks are clearly highlighted • Add visual elements (e.g., R/Y/G indicators) to the executive summary to make it more easily interpreted	• Ensure metrics and commentary focus on risk more than business performance • Include owners and timelines with action plans where appropriate	• Reduce data lag – Currently 1.5 months (e.g., April data for mid-June Report)
Operational Risk	*Ops Risk Package (6/16/15)*	🟢	• Present information in a "dashboard" format to increase modularity with the CRO report	• Include more analytical commentary, $$ estimates of potential losses, and historical data for trend analysis • Include actions/owners for any issues identified	• None – (data lag is acceptable - May data in mid-June report)

1: See SCUSA ERMC summary slide for additional details/recommendations
2: See SCUSA CRMC summary slide for additional details/recommendations

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SBNA: February 2015 ORMC Report
Overall Summary

February 2015 ORMC Report[1]: Overall Findings

Component	Dimension	Findings	Recommendations
Content	Metrics	• Although root causes are often discussed qualitatively (*e.g., pp. 7 – Main Risks*), there is an opportunity to include quantitative data on root causes in each section's dashboard (*e.g., pp. 9, 11, 18, 31)* to provide greater visibility into underlying issues	• Report issues (by number or potential loss) by root cause over time in each section's dashboard
		• Currently, only the Vendor Risk Management dashboard tracks how issues were identified (*e.g., pp. 18 – Findings From Reviews)*; there is an opportunity to extend this to each type of operational risk to provide greater insight into the effectiveness of risk ID and mitigation	• Report issues (by number or potential loss) by the source that identified them over time in each section's dashboard
	Actions	• There is an opportunity to clearly identify owners of the actions plans detailed to mitigate main risks (*e.g., pp. 7, 10, 16, 30 – Action Plans)*	• In addition to listing the action plan (with its associated due date and status), list the owner to provide visibility into who is responsible for the action plan
	Comprehensiveness	• There is opportunity to also catalogue near misses for operational risks alongside emerging risks on each section's risk update slide (*e.g., pp. 7, 10, 16, 30 – Emerging Risks)*; near misses are currently included only in the LOB dashboards in the appendix	• Alongside emerging risks, add in a summary of near misses (and their potential impact) in the past month

1: Supporting page numbers cited from id 1 – SBNA ORMC Feb2015.pdf

SBNA: Jan 2015 Credit Report
Overall Summary

SBNA Credit Risk Report[1]: Overall Findings

Component	Dimension	Findings	Recommendations
Optics	Structure / Format	• While there is a great deal of information in the "Santander Portfolio Overview" section, a clearer structure will allow the document to be easier to read and follow	• Within the Santander Portfolio Overview tab, implement the following structure: – Exposure – Capital – Credit Quality – Concentration – Early Warning Signal
Content	Metrics	• There is an opportunity to include additional, insightful risk-focused metrics and information	• Additional metrics / data that should be included: – Capital: economic capital, regulatory capital – Quality: ratings distribution – Concentration: by geography, sector – Early Warning Signals • Longer-term, quality metrics should move away from only exposure and include RWA, PD, LGD, EAD
		• There is an opportunity to include projections of existing metrics *(e.g., pp.6-16 – all metrics)*	• Where possible, metrics should include forward-looking projections such as forecasts
	Commentary	• In the executive summary, commentary often summarizes past performance, and only occasionally explains the drivers/root cause *(e.g., pp. 1 – commentary)* instead of providing key insights *(e.g., pp. 9 – commentary header)*	• For commentary, focus on the implications (i.e., "so-whats") and forward-looking statements, where possible • Always clearly link commentary to existing graphs/charts
	Actions	• There is not a discussion (nor a comprehensive summary) of key actions related to any issues identified for credit risk	• List the key actions and assigned owners for any outstanding issues

1: Supporting page numbers cited from SAN Credit Full Presentation_2015-01-31.pptx

SCUSA: June 2015 ERMC Report
Overall Summary

SBNA Credit Risk Report[1]: Overall Findings

Component	Dimension	Findings	Recommendations
Optics	Structure / Format	• The format of the executive summary for the key sections is not consistent across sections *(e.g., pp. 6, 17-18, 27 – all different formats)* – modularity exists but formats are not aligned	• For each risk-type section, preface the detail with a consistent executive summary format with key takeaways and any actions/owners
Content	Metrics	• There is an opportunity to include additional, insightful risk-focused metrics and information	• Credit section should include more risk-weighted business metrics (i.e., RoRWA vs. ROA), quality metrics (i.e., PD, FICO stratification)
	Commentary	• Graphs/charts can standalone without accompanying analytical commentary *(e.g., pp. 11 – originations graph)*	• For commentary, focus on the implications (i.e., "so-whats") and forward-looking statements, where possible • Always clearly link commentary to existing graphs/charts
	Actions	• There is not a discussion (nor a comprehensive summary) of key actions related to any issues identified for credit risk	• List the key actions and assigned owners for any outstanding issues

1: Supporting page numbers cited from Appendix 1 ERMC June 2015 Final.pptx

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SCUSA: June 2015 Credit Risk Report
Overall Summary

June 2015 Credit Risk Report[1]: Overall Findings

Component	Dimension	Findings	Recommendations
Optics	Structure/ Format	• The executive summary for the Portfolio Update is presented in text as a numbered list (*e.g., pp. 32*)	• There is an opportunity to make the executive summary more visually engaging and easily interpreted, including: – Reorganizing the numbered list so that key risks are visually separated from commentary on the state of the portfolio – Adding R/Y/G indicators for key risks
Content	Commentary	• Business performance is often commented on instead of key risk insights (*e.g., pp. 32 – ROA and profits discussion*)	• Focus on discussing key risk insights vs. summarizing business performance
	Metrics	• Metrics with more financial / business performance are often included (*e.g., pp. 32– ROA; pp. 33 – volume and portfolio sales, pp. 35 – ROA*)	• Reduce the number of financial metrics reported and report risk-weighted business metrics instead where possible (*e.g., RORWA instead of ROA*)
		• The Portfolio Update reports the quality and mix of channels for originations but not for the overall portfolio (*pp. 33 - originations mix chart, pp. 37 – originations FICO stratification charts*)	• Add credit quality (*e.g. PD or FICO stratification by product/channel*) and exposure (*e.g., EAD or LGD by product/channel*) metrics for the overall portfolio in the Portfolio Update section – The chart exposure chart included in the back section (*pp. 118*) is a good model but should report exposure in terms of EAD or LGD
	Actions	• Commentary on credit metrics in the Portfolio Update is generally analytic and forward-looking but rarely discusses action plans (*e.g., pp. 32 – Executive Summary, pp. 33-34 – commentary*)	• Adopt the "Current View" / "Future View" structure used in the deep dive executive summaries for the Portfolio Update executive summary and include action plans / owners for outstanding issues
		• In the executive summary slide for each deep dive (*e.g., pp 42, 60*), there is an opportunity to add owners / timelines to to the "Future View of the Situation" section	• Include owners and estimated timelines for the "Future View of the Situation" on each deep dive to increase accountability

1: Supporting page numbers cited from CRC June 11 Meeting – April Data Combined.pdf

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Appendix 5
CRO REPORT SIGN-OFF PROCESS

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Reporting Protocols: Sign-off Flow
The sign off process for SHUSA's CRO report includes input from the CROs of SHUSA and the entities as well as SHUSA's risk managers

Sign-off Flow for SHUSA CRO Report

Illustrative – For Discussion

Step 1
Agree Key Messages

Step 2
Sign off Report Sections

Step 3
Sign off Report

Determine Key Reporting Messages
- SHUSA Deputy CRO meets with entity CROs and SHUSA ERM to determine key messages for the month

CRO Report Aggregation / Production

SHUSA Risk Managers and Entity CROs Sign off on Report Sections
- Individual SHUSA risk managers and entity CROs sign off on their sections of the report
- SHUSA ERM aggregates sections into master pack

SHUSA CRO Reviews and Signs off on Report
- SHUSA CRO reviews and signs off on the report
- The report is submitted to the BRC and the Board

Board Meetings

Proposed Signoff:

SHUSA Deputy CRO Entity Risk Managers SHUSA ERM

SHUSA Risk Managers

SHUSA CRO

5 Business Days   **5-7 Business Days**   **3 Business Days**   **1 Business Day**

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