❶ Re-design and embed Risk Appetite Statement

	Year 1 priorities[1]	**Years 2-3 priorities**
Re-design RAS for SHUSA enterprise	▪ **SHUSA Board-level Risk Appetite Statement** ▪ **RAS reporting, breach escalation and breach penalty mechanism** ▪ Preliminary RAS communication and socialization materials	▪ Delivery of complete, enterprise-level RAS communication and socialization materials ▪ Updated RAS, particularly as risk measurement and aggregation across the enterprise improve
Cascaded RAS at subsidiary, BU levels and individual risk types	▪ Approach to cascading SHUSA level Risk Appetite Statement to subsidiaries and levels below ▪ RAS for all subsidiaries/BUs (aligned with overall SHUSA RAS) ▪ RAS reporting, breach escalation and breach penalty mechanism (cascaded version)	▪ Delivery of complete, enterprise-level RAS communication and socialization materials (cascaded version)

Embed RAS in material processes	▪ **Delivery of Board-level RAS training:**
	  • **Materials**
	  • **Delivery**
		▪ Updated process maps for key processes with explicit links to RAS, at a minimum:
		  • Strategic planning
		  • Capital planning
		  • Stress-testing projections
		▪ Completed cycle of strategic / capital planning with explicit linkage to RAS
		▪ Delivery of enterprise-wide RAS training, and prepare:
		  • Materials
		  • Delivery

1 Preliminary view – pending verification against CCAR and IHC requirements

Bold = High priority (by Aug 31 2015)

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2a Strengthen Board and Management oversight

	Year 1 priorities[1]	Years 2-3 priorities
Strengthen SHUSA Committee guidance	▪ **Review of Risk Management Committee oversight effectiveness** ▪ **Governance and co-ordination mechanisms within Group (i.e. engagement model in terms of linkage between SHUSA and Parent Group committees, etc.)** ▪ **Board Risk Committee reporting** ▪ Updated committee composition, mandates, charters and compensation structure for high priority committees	▪ Implement committee changes for remainder of committees

Set a strong 'Tone at the top'	▪ Revised and consistent risk-related messaging (link to articulation of 'risk culture'):
	  • Risk management vision / values
	  • Detailed communication and socialization plan to embed vision / values
		▪ Ongoing 'tone at the top' risk-related messaging

Develop link between risk mgt. and performance assessment and compensation	▪ Risk based / risk aware performance assessments and compensation framework and principles (particularly for Material Risk Takers):
	  • For Risk Management leadership /staff and Business Executives, develop relevant performance metrics and set targets
	  • Combine target metrics into a balanced scorecard that includes non-financial metrics
	  • Ensure structured formal Risk input into performance assessment
		▪ Performance assessment and compensation framework embedded across the organization for:
		  • Risk Management leadership
		  • Risk Management staff
		  • Business executives

Continue and enhance Risk training for the Board Risk Committee	▪ **Risk training curriculum and schedule for Board Risk Committee including:**
	  • **Training materials**
	  • **Detailed risk training objectives**
	  • **Assessment and improvement processes**
	  • **Delivery**
		▪ Ongoing training delivered to Board Risk Committee

1 Preliminary view – pending verification against CCAR and IHC requirements

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2b Enhance Limits and Controls Framework

	Year 1 priorities[1]	Years 2-3 priorities
Review and update credit process controls and limits for underwriting and origination	• High level review of credit process limits / controls	• Review and update of credit risk delegation of authority and escalation process (in terms of ownership and work-steps) • Updated origination controls/limits • Updated workout controls/limits
Define limits and controls for market risk / trading assets		• Review limits / controls related to market/trading risk instruments • Review potential exposure limits at target level of granularity (e.g. by desk, by asset class) • Review and update of market risk delegation of authority and escalation process
Define risk oversight framework for IRR / liq. risk	• Framework for risk oversight of key IRR and liquidity risk assumptions and parameters	• Articulation of key controls for each IRR and liquidity risk, based on gap analysis
Identify key controls for compliance risk		• Review of compliance risk framework and remediation actions (see non-financial risk management)
Issue management system	*To be led by operational risk*	

1 Preliminary view – pending verification against CCAR and IHC requirements

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2c Re-design operating model and talent management

	Year 1 priorities[1]	Years 2-3 priorities

Rationalize risk org structure	• **Future risk organizational model for SHUSA / subsidiaries**
	  • **Full definition of SHUSA-level activities vs. subsidiaries**
	  • **Articulation of reporting lines and implications (for example, more centralized risk function structure)**
	• Organizational structure design (including headcount)
	• Communication materials to convey org. changes to enterprise
		• Embedded organizational model throughout enterprise with all roles and responsibilities filled

Articulate and embed 3LoD principles	• **Updated articulation of risk management roles and responsibilities across the three lines** • **Training materials to explain model and key changes** • Initial roll-out of 3LOD • Includes cascading 3LOD consistently into each entity through changes to job descriptions, adjustments to reporting lines (if warranted) and intensive training	• Continued roll-out of 3LOD (including resourcing changes)

Design risk staff recruitment / retention strategy and onboard talent	• Development and execution of Phase 1 Talent Management Strategy, including:
	  • Target development programs, job rotation programs, job satisfaction assessments, compensation structures
	  • Remediation / roadmap / action plan
		• Development and execution of Phase 2 Talent Management Strategy, including:
		  • Documentation of required resources (leadership, headcount and skills)
		  • Appropriate recruiting / staffing efforts

Improve risk culture	• Risk culture assessment across the organization
	  • Articulation of strong and desired risk culture
	  • Diagnostic of current risk cultures within each entity
	  • Plan for gradual improvement
		• Ongoing risk culture improvement, for example, via:
		  • Regular risk culture assessments to track and report progress vs. desired risk culture
		  • Publicizing star performers (may be people or BUs)

1 Preliminary view – pending verification against CCAR and IHC requirements

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2d Create/update policies and procedures

	Year 1 priorities[1]	**Years 2-3 priorities**

Improve effectiveness of policies and procedures	▪ **Assessment of existing current policies and procedures, and prioritization of improvement actions**
	▪ Frameworks defined and approved across all risk types
	▪ Policy attestation process:
	   • Enforce policy adherence and attestation process tied to Senior Management incentives
		▪ Standardized policies and procedures across enterprise
		   • Create new policies in line with results from assessment of current state

1 Preliminary view – pending verification against CCAR and IHC requirements

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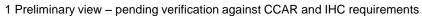| **Year 1 priorities**[1]	**Years 2-3 priorities**

Enhance risk identification and assessment process	▪ **Defined risk ID and assessment process, integrated into the end-to-end CCAR process:**
	   • **Process maps**
	   • **Tools/templates**
	 ▪ **Initial register of risks, encompassing both modeled and non-modeled risks across all relevant legal entities / BUs**
	   • **Informed by existing Operational Risk, Compliance, and Audit frameworks as possible**
	 ▪ **Policy/procedure for Risk Identification and Assessment cycle (specifying frequency, stakeholders, duration, approvals, etc.)**
	 ▪ Demonstrated linkage of risk ID process to capital planning (CCAR) process
	 ▪ Demonstrated linkage of risk ID process to risk mitigation, management and reporting
		▪ Updated and enhanced risk ID and assessment program:
		   • Ensure linkage to stress test scenarios to ensure unique SHUSA vulnerabilities, concentrations and idiosyncratic risks are tested

1 Preliminary view – pending verification against CCAR and IHC requirements

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4a Design and operationalize Financial Risk Management

	Year 1 priorities[1]	Years 2-3 priorities

Align credit risk mgt. activities alignment with 3LOD roles	▪ **Definition of credit-related roles and responsibilities and lines of control across 3LoD**
	▪ Initial roll-out of 3LOD across credit risk management
	   • Evaluate current credit risk management activities in light of expected roles under 3LOD
	   • Revise set of activities covered to align with expectations, including re-alignment of key activities to the first line as needed
		▪ Full implementation of 3LOD model across SHUSA and subsidiaries

Ensure alignment of key credit risk mgt. processes by credit risk type		▪ Gap analysis of credit risk management ▪ Execution of credit risk management remediation plan
Conduct gap analysis across market / trading risk		▪ Gap analysis of market / trading risk ▪ Execution of market / trading risk remediation plan
Conduct gap analysis across Interest Rate Risk (IRR)		▪ Gap analysis of IRR management ▪ Execution of IRR remediation plan
Define expected liquidity risk capabilities and conduct gap analysis	▪ Evaluation of current state against target capabilities and remediation plan ▪ Improvement of liquidity stress-testing	▪ Execution of liquidity risk remediation plan

1 Preliminary view – pending verification against CCAR and IHC requirements

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4b Design and operationalize other non-financial risk management

	Year 1 priorities[1]	Years 2-3 priorities

Assess current state of compliance risk		▪ Analysis of current state of Compliance risk:
		  • Catalog set of compliance-related risks at SHUSA and subsidiaries
		  • Evaluate existence and sufficiency of controls to meet each compliance risk and identify areas with missing / insufficient controls
		  • Assess overall program / process to monitor and identify compliance risks on an ongoing basis
		▪ Development and execution of Compliance remediation plan

Design reputational and strategic risk frameworks		▪ Reputational/strategic risk management framework
		  • Review existing reputational and strategic risk lists, determine link with other major risk types (liquidity risk, op risk, etc.)
		  • Conduct structured workshops to narrow down top risks
		  • Translate top risk triggers into scenarios and leverage expert opinion to assess impacts
		  • Evaluate mitigating actions and implement necessary controls

Define risk role and strengthen risk management in new product review		▪ Revised new product /business review process, with Risk participation
		▪ New product / business approval policy, procedure and tools
		  • Articulate roles and responsibilities
		  • Design tools to make process systematic (e.g. risk assessment templates)
		  • Define decision authority mechanism

1 Preliminary view – pending verification against CCAR and IHC requirements

Bold = High priority (by Aug 31 2015)

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⑤ Update internal monitoring and reporting

	Year 1 priorities[1]	**Years 2-3 priorities**

Define risk reporting landscape	▪ Risk reporting landscape, by audience and risk type
	  • Determine different audiences of risk reporting
	  • For each audience outline essential content and frequency of reporting
	  • Design reporting dashboards / templates based on latest industry practices
		▪ Review progress against target risk reporting landscape and prioritize further improvement accordingly

Develop and socialize prototype reports	▪ **Prototype reports and socialization of high priority reports to:**
	  • **Board**
	  • **Senior management**
		▪ Prototype reports and socialization of high priority reports to:
		  • Line of business
		  • Day-to-day operations

Develop business requirements	▪ Risk data requirements for reporting:
	  • Based on desired reporting contents and frequency, define business requirements incl. both type and frequency of data
	  • Prioritize business requirements based on report and metric materiality
	▪ Identification of risk aggregation needs to support reporting
		▪ Ongoing development and issuance of business reporting requirements

Determine resourcing needs to produce reports	▪ Reporting resourcing:
	  • Identify reporting groups within SHUSA and subsidiaries
	  • Define target organizational structure for reporting groups
	  • Define resource needs to support desired reporting, both in current and future state
	  • Train and onboard resources for reporting
		▪ Ongoing assessment of resources required to produce and deliver reports

1 Preliminary view – pending verification against CCAR and IHC requirements

Bold = High priority (by Aug 31 2015)

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⑥ Improve data quality and aggregation and strengthen systems infrastructure

	Year 1 priorities[1]	**Years 2-3 priorities**

Create business and data requirements	▪ **Requirements defined for all data-related risk measurement, management, and reporting activities, including:**
	  • **Information needed and business purpose**
	  • **Level of aggregation / granularity**
	  • **Expected provisioning frequency**
	  • **Expected turn-around times for data (e.g. provided within 10 days after month-end close)**
	▪ **Prioritization of data requirements, both within and across individual business requirement documents**
	  • In line with overall risk-related CART prioritization
		▪ Updated risk-related business and data requirements
		  • Revisited on a periodic basis

Define systems architecture to support data needs	▪ Assessment of current systems architecture and identification of required enhancements to support data needs, incorporating:
	  • Above business requirements
	  • BCBS 29 compliance needs
	  • Technology solutions consistent with defined architecture
		▪ Ongoing implementation of enhancements to address risk data needs

1 Preliminary view – pending verification against CCAR and IHC requirements

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