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Enterprise PMO Scope Document

Strategic Initiatives Office

ERM/Risk Organization

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| F. Sanchez – RDA/RRF | US CRO Staff Member |
| M. Brutti - SBNA | US CRO Staff Member |
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# Introduction

## Project Summary

The ERM/Risk Organization program is a program of projects to allow the Group’s Business Units in the US to meet the enhanced standards of the US regulators, in terms of governance, organization and control.

## Problem Statement

The Group’s regulators in the US have enhanced their standards and the Group has to comply with the following which define the scope of the program. ***This includes but is not limited to the following:***

* Federal Reserve - Enhanced Prudential Standards (EPS)
* Federal Reserve - Capital Planning at Large Bank Holding Companies: Supervisory Expectations and Range of Current Practice (CCAR ROPE)
* Federal Reserve - SR 08-8 CA 08-11- Compliance Risk
* Federal Reserve - SR 08-9 CA 08-12 – Bank Holding Company Supervision
* Federal Reserve - SR11-7 – Model Risk
* Federal Reserve - SR 12-17 - Large Bank Supervision
* OCC – 12 CFR parts 30 and 170 - Heightened Standards for Large Insured National Banks
* OCC - 2011-12 - Supervisory Guidance on Model Risk Management
* Basel - Risk Data Aggregation
* Basel – Liquidity Coverage Ratio
* Basel - Principles for the Management of Credit Risk
* Basel – Sound Practices

## Project Objectives

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **(Project Objective)**  **PO #** | **Business Unit** | **Objectives and Value Statement** | **Priority**  **(H / M / L)** |
| BHC | PO1 | Santander Holding USA (SHUSA) | Development, approval and implementation of a US Enterprise wide framework that meets applicable regulatory requirements  The creation of an organization to oversee the measurement, aggregation and monitoring of risks undertaken by the Group in the USA | H |
| P03 | SBNA | To review the ERM framework, identify gaps and create a remediation plan for the unit to meet ERM policy and standards and local regulatory requirements.  – see also the Heightened Expectation program for SBNA  To review the RTS, refine for the needs of the Business Unit, gain approval and implement. | H |
| PO4 | Santander Consumer USA (SCUSA) |
|  |  |  |  |  |
| IHC | PO5 | Puerto Rico | Meet enhanced regulatory guidance by reviewing the ERM framework, identify gaps and create a remediation plan for the unit to meet ERM policy and standards and local regulatory requirements. | H |
| PO6 | NY Branch |
| PO7 | SIS (NY Broker Dealer) |
| PO8 | BSI Miami |
| PO9 | ANTS US (SAN UK) |
| P10 | Banco Totta US |

## Proposed Solution

US Risk management has created a program to ensure the Group in the US conform to the enhanced requirements. This program has the following workstreams:

* Risk Tolerance Statement
* Risk ID and Assessment
* Credit Risk
* Market and Liquidity Risk
* Compliance Risk
* Operational Risk (including Vendor Risk, Business Continuity Planning)
* Info Security
* Model Risk
* Risk Architecture and Infrastructure

These workstreams are created to review the regulatory requirements, identify gaps and create and implement remediation plans to meet the new standards as is appropriate for each of the Group’s Business Units (affiliates) operating in the US.

Failure to meet the new requirements will result in restrictions on the Group’s business plans in the US and the potential of regulatory censure that could impact revenues and reputation.



# Project Description

## Scope Definition

The scope of the Program covers all the Risk areas in all of the Group’s US operations (SAN US). Scope drivers include direction from Grupo Santander, Regulatory Guidance (both SAN-US and local per BU/Operating Entity), governance charters, and the Frameworks developed by the Risk Managers which includes elements such as Policies, Governance, etc.



## Business Scope (BS)

The following table identifies the Business Units in scope and their priority.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Scope ID #** |  | **Business Unit** | **Business In Scope** | **Priority**  **(H / M / L)** |
| BS 1 | BHC | SAN US/SHUSA | Create the Group’s risk framework at the US level and to create the required governance and organization to oversee the measurement, aggregation and monitoring of risks undertaken in the Group in the US. Guidance will be issued at both an Enterprise and Risk area level and will include the SAN US Risk Tolerance Statement. | H |
| BS 2 | SBNA | Risk areas to adopt US Frameworks and implement as necessary via gap remediation plans. in addition to local regulations.– see also the SBNA Heightened Expectations program |
| BS 3 | SCUSA |
| BS 4 | IHC | Santander Puerto Rico | Risk areas to adopt US Frameworks and implement as necessary via gap remediation plans in addition to local regulations. | M |
| BS 5 | Santander NY Branch |
| BS 6 | SIS NY |
| BS 7 | BSI Miami |
| BS 8 | ANTS US | L |
| BS 9 | Totta US |

*.*

| **Scope ID** | **Business Out of Scope** |
| --- | --- |
| BOS 1 | Type C affiliates - Produban, ISBAN, Geoban, Santander Global Facilities, Aquanima, Gesban, Unniversia |
| BOS 2 | Non US affiliates |
| BOS 3 | Risk areas that are not applicable to the Business Unit - For example, Banco Totta is a money remittance business and therefore does not incur Credit or Market risk and therefore there will be no need to develop plans for these areas in this Business Unit. |

## Technology Scope (TS)

Many technology requirements for Risk Data Aggregation and the Risk Reporting Framework are being fulfilled in the RDA/RRF project with interdependencies/ deliverables are managed in the Heightened Expectations /Risk Organization plans. Other IT requirements will be captured as part of the remediation plans and will be added to Business Unit plans and their local IT support teams.

## Impacted Business Processes

Business processes in all business units will be impacted by the drive to meet the regulators heightened or enhanced standards, i.e. business lines and their support areas by the introduction of the 1st Line of Defense role, risk areas with the requirements of Strong Risk Management and Audit with the requirements of a Strong Internal Audit. These changes will be identified as part of this program and revised processes documented and changed where necessary.

## Impacted Business Areas

All Business Units, their business lines and support areas, risk areas and Audit will be impacted by this program.

## Constraints

The principle constraint is attracting and retaining resources with the required skill set. This resource group is in high demand.

## Assumptions

* Adequate headcount (and associated budget) will be authorized.
* The required talent can be attracted to the Group in the US to build the enhanced organization.
* Staff turnover will not be excessive and impact the build program.
* The US CRO will get support and authorization from each Business Unit executive to make the changes necessary to meet the requirements for strong risk management.
* The 3 lines of defense mode can be effectively implemented.
* Regulatory requirements will not materially change
* Data quality standards will meet user demands
* Other identified technology and resource needs will be met

## Dependencies Linkages

Interdependencies are in the process of being analyzed. The following provides an indication of the other projects that have Risk involvement:

* RDA/RRF
* CCAR
* IHC (including the EPS requirements)
* HR hiring plans
* Recovery Planning
* Strategic Planning
* Risk-related IT projects
* GRC project

## Measures of Success

Success is the lifting of the 4m agreement with the Federal Reserve which restricts on the Group’s activities in the US. As a pre requisite, this in requires the bank to meet the OCC’s heightened expectations and improve its regulatory rating.

## Critical Success Factors

* The establishment of the 3 lines of defense model in the Group’s US Business Units including:
  + The establishment of a resourced and effective first line of defense
  + The establishment of a fully resourced second line of defense organization
  + The establishment of a fully resourced and strong third line of defense
* The creation, approval and implementation of a US Enterprise Risk framework and its adoption by the Business Units in the US
* The development, approval and implementation of policies for each risk type at the US level and their adoption by US Business Units.
* An approved Risk Tolerance Statement at the US level and its adoption by all US Business Units

# Project Controls

## Governance

Considering the complexity of the Program scope, a multi-dimensional approach has been used to define the Governance Structure and Organization. According to this, the following Committees and Workshops will be implemented, for example for SBNA the governance is as follows.

The ERM PMO will report the evolution of the Program together with escalated risks and issues. The CRO will set the strategy of the Program, providing overall guidance, challenge and oversight. CRO Reviews will be conducted at a minimum every-other week and weekly as needed. Discussions will take place at the weekly CRO staff meeting. The ERM PMO will provide information concerning status of the initiatives and major deviations within certain work streams.

* + When required escalation will be to the Board Enterprise Risk Committee
* Chief Risk Officer Staff meetings: the CRO, as the sponsor of the Program, will monitor the status of the Program, as reported by the ERM PMO, at the CRO´s Executive Staff Meeting. This working group will oversee the implementation of the different initiatives by addressing major deviations in any of the work streams, and providing expert advice and challenge. The working group will also help the PMO in overseeing Risk areas, and addressing any escalated risks and issues. Status will be requested on a weekly basis for project plan/milestone level detail and bi-weekly in the form of summary presentations/scorecards. A Working Group will be established upon reaching a point of maturity with the project plans
  + When required escalation will be to the CRO and Staff
* ERM PMO Working Sessions: these are meetings chaired by the PMO to manage the implementation of the different work streams, track and monitor the execution of the plans. The ERM PMO will regularly meet the areas responsible for each of the work streams, so that they can provide an updated view on their progress. Moreover, any delay in the execution of the plan will be escalated at the workshops, so that proper remediation plans can be defined if needed. Ad hoc meetings will be held as necessary to resolve issues and further progress on the program.

## Risk Management

As described in the Governance section issues are managed and escalated at each stage of the Governance process. The following is a summary of the major business risks for the program:

|  |  |  |  |
| --- | --- | --- | --- |
| Risk | Probability | Impact | Mitigation |
| Capability limitations in the Business Units (staffing, depth of staff) to fulfill requirements of the program | H | H | Plans to be established. Progress tracked by PMO. Business Unit CROs to facilitate issue/risk escalation and management including engagement of US CRO and CEO to promote program if progress is not being made |
| Insufficient resources to complete project tasks | H | H | Escalate to Senior Management for authorization to use third party resources |
| Lack of understanding delays creation of the 1st line of defense | H | H | Establish standards and work with business lines to define roles and create implementation plans |
| Insufficient resources/budget to staff the new 1st, 2nd and 3rd line of defense roles | M | H | Escalate to Senior Management for headcount authorization and engage HR at US level to prioritize and implement recruitment program. |
| Delivery of IT enhancements | M | H | Ensure plans have appropriate milestones to monitor progress and Monitor IT plan milestones |
| Changes to regulatory guidance and or deadlines | M | M | Maintain liaison with 4R team to understand changes and review plans with work stream owners as required. |

### Constraint/Dependencies/Assumptions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **#** | **Constraints / Dependencies/ Assumptions** | **Description** | **Associated Risk** | **Mitigation Strategy / Plan** | **Likelihood**  **(H / M /L)** |
| **1** | Lack of resource (PMO and project execution) | Inadequate resource/budget or availability of resource in the market place will prevent the Group being able to manage risk in the manner required by the regulator | Insufficient resource or budget for resource will not allow an effective rollout of the 3 lines of defense model. | Senior Management have committed to the program and HR have recruitment as a priority | H |
| **2** | Non or late delivery of IT requirements | Several areas of the program have dependencies on IT to deliver new functionality or clean data. | Non delivery will delay the program | All dependencies are being identified and monitored on plans to allow for early escalation. | H |

## Change Management

Change control of plans is currently maintained via weekly distribution of plans and requests for updates. The copy of the plan provided requires only selective change and all change is monitored and challenged as necessary. Formal request for plan change are reviewed and escalated as required.

## Communication Management

The ERM PMO will use a Scoreboard to report the status of the Program. The ERM PMO will closely work with all Work Stream Leads, gathering all relevant information to ensure the contents of the Scoreboard are timely and accurately updated. The Work Stream Leads and the ERM PMO will use the Program´s Communication Plan as a guideline in their contacts.

The Scoreboard has been defined by the PMO team, and will be used as a template for the control and monitoring of each of the work streams within the Program scope. The information contained in the Scoreboard summarizes the status of the different work streams, indicating the main risks associated, remediation plans in place and the principal Matters that Require Attention (MRAs). Each Scoreboard will also contain a set of Scorecards, which include detailed information for every work stream. The corresponding Work Stream Leads will prepare the updates to each Scorecard. The ERM PMO will reconcile these updates into the Scorecards. The Scorecards show the evolution of each work stream, including the Work Stream Lead, an Executive Summary of the work stream and the status of any related deliverables/milestones. Both Scoreboards and Scorecards will use the RAG status methodology as described in the previous section

# Roles and Project Stakeholders

## Roles

|  |  |
| --- | --- |
| **Role** | **Role Description** |
| **Project Sponsor** | Provides executive team approval and sponsorship for the project. Has budget ownership for the project and is the major stakeholder and recipient for the project deliverables. |
| **US CRO Staff Member** | Provides overall management to the project. Accountable for developing and managing the work plan, securing appropriate resources and delegating the work and insuring successful completion of the project. All project team members report (functionally) to the project manager. Handles all project administrative duties, interfaces to project sponsors and owners and has overall accountability for the project. |
| **ERM PMO** | Provide assistance in resolving issues that arise beyond the project manager’s jurisdiction. Monitor project progress and provide necessary tools and support when milestones are in jeopardy. Provide PMO Support |
| **Stakeholder** | Key provider of requirements. May also be considered Subject Matter Experts. Deliverable may directly or indirectly impact or enhance the stakeholders’ business processes and environment. |
| **Team Member** | An individual who is formally allocated the project and has accountability to tasks, activities, and/or deliverables. |

## Stakeholders

|  |  |
| --- | --- |
| **Name** | **Role** |
| J. Corston | Project Sponsor - US |
| G. Timmons | Head of ERM PMO - US |
| R. Neath | ERM PMO |
| A de Castro - Credit | US CRO Staff Member |
| D. Begara – Governance and Aggregation | US CRO Staff Member |
| M. Lasso – Market Risk | US CRO Staff Member |
| M. Calero - Compliance | US CRO Staff Member |
| S. Bhatti – Operational Risk | US CRO Staff Member |
| S. Mankotia – Model Risk | US CRO Staff Member |
| F. Sanchez – RDA/RRF | US CRO Staff Member |
| M. Brutti - SBNA | US CRO Staff Member |
| Peter Moenickheim - SCUSA | US CRO Staff Member |
| J. Bathon – NY Branch & SIS | US CRO Staff Member |
| P. Prado – BSI Miami | US CRO Staff Member |
| A. Vares Torres – Santander Puerto Rico | US CRO Staff Member |
| D. Petric – ANTS US | US CRO Staff Member |
| D. Teixeira – Totta US | US CRO Staff Member |