

AW 500

Q3 Threat management and Operational Resilience minutes



ARMSTRONG WOLFE

Abridged Minutes

Today Non-Financial Risk ('NFR') is managed within silos, with no single point of data aggregation existing to provide holistic oversight that would support decision making (in relation to NFR).

It is recognized:

- » Data is the lifeblood for effective NFR management
- » The aggregation of this data is an evolving necessity if the COO (or other) is to be able to have an informed oversight of these risks
- » Emerging risk identification and horizon scanning would help contextualize decision making born from integrated NFR data

Q. What sits within this spectrum and where, who and how are these risks managed?

A. It was agreed unanimously that NFR has no definitive categorization, the following being commonly used classifications:

(The following has been sent to iCOOC participating members to complete to enable Armstrong Wolfe to develop a reference for NFR categorization to work from moving forward)





	NFR Classification	Do you consider this an NFR?		Comments
		Yes	No	
1	Compliance			
2	Conduct			
3	Climate			
4	Culture			
5	Cyber			
6	Geopolitical			
7	Human Capital			
8	Legal			
9	Monetary			
10	Pandemic			
11	Regulatory			
12	Reputational			
13	Tax			
14	Technology			
What other NFR classifications would you add?		Comments		
15				
16				
17				
18				
19				
20				

Note: the pandemic has led to a review of the mandate and organizational positioning of Business Continuity and Crisis Management, the COO having been principally responsible for coordinating BCM

Q. Integrated or segregated, what benefits arise to a fully integrated process to manage NFR?

A. Overwhelmingly a desire to establish an integrated approach, noting:

- » The COO often operates with a fragmented or incomplete view across the Threat & Risk landscape
- » No one bank has a systematic approach to aggregating and analysing NFR
- » Reservations exist in relation to capital expenditure to develop this capability
- » It is noted that much if not most of this data is already captured somewhere in the organisation and therefore there is little or no need to invest in technologies to do so; limiting expenditure to a technology solution needed to collect from established data pools, and to aggregate and translate it
- » Aggregation of NFR data will allow (the COO) to separate the signal from the noise and how to identify points of correlation within the NFR spectrum.
- » This function should be positioned as the centre of threat management education, ensuring it helps develop a culture of non-financial risk awareness that will further protect the franchise

Q. CRO or COO – who is better positioned to provide the answer to ‘so what?’

A. The business heads (be this CEO, SMR, other accountable executives), with the COO as the managing agent of this risk, noting:

- » The business owns the risks and the COO, working with the CRO and other partners (providing data), is best positioned to translate NFR and to make informed commercial decisions based upon this data
- » This would enable the business to operate on an anticipatory footing and be prepared for the inevitability of future crises

Q. If the above is correct, would you build or buy a solution, and if the latter, with whom?

Next steps:

- » Follow on deep-dive COO Cluster Calls to be offered to iCOOC members to participate.
- » 1-to-1 meetings with AW and Control Risks to discuss outline solutions.



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