

An industrial approach to risk and control self-assessments

Grant Thornton LLP's professionals can help you derive more value from the risk and control self-assessment process.

Analyzing the operational risk profile

The risk and control self-assessment (RCSA) process is a systematic methodology for identifying control gaps and monitoring what management is doing to close those gaps. It is a process used annually by many financial institutions to comply with Basel and U.S. regulatory requirements calling for a recurring firmwide self-analysis of operational and compliance risks. There is a wide range of practices regarding RCSA implementation. While larger banks, applying more advanced approaches for calculating operational risk capital requirements, are expected to implement this process, many institutions have not fully implemented RCSA throughout the organization, or have found that they still need to make major enhancements to be optimal. Typical challenges include a lack of cohesiveness and consistency across the enterprise; inefficiencies, duplication of effort and over-testing of control effectiveness; a lack of accountability; and a lack of connection to other risk management processes. Thus, there is an opportunity to gain much more insight by taking a more robust approach.

Industrial-strength RCSA

At leading-edge financial institutions, the RCSA program is an industrial-strength, value-added risk management tool, capable of working effectively and dependably in the real world. Management has created an integrated and complete framework and invested in technology (GRC solutions), reporting capabilities and personnel. The result is a comprehensive view of risks at varying levels, such as enterprise and business units ; quantifiable and non-quantifiable features; conventional and emerging; observed internally and externally; and baseline scenario and stressed conditions. The results of the program are analyzed for patterns and trends and to assess how effectively controls are reducing inherent risk. A complete view of controls allows management to look for duplication and opportunities for multiregulatory compliance automation.

Results are used to highlight the need for added resources and capital investments. A well-designed RCSA program places responsibility for operational risk management and control where it belongs in the line-of-defense approach. At the same time, it provides a common language, greater transparency and clear ownership of the action plan across the organization.



An industrial approach to risk and control self-assessments line

Keys to a successful RCSA program

Success begins with the recognition that it is in the institution's best interest for RCSA to go far beyond checking a box to satisfy regulatory obligations. Having a single methodology and framework across the entire organization — coordinated by a centralized operational risk management function — is critical. There must be a cohesive, standardized taxonomy to define the organization's processes, risks and controls. This system needs to be integrated with the organization's overall operational risk management process, including the capture of internal loss data; the incorporation of external data; scenario analysis; and a centralized risk repository for risk mitigation planning, reporting and follow-up. The process should be multitiered and conducted at the enterprise, divisional and business-line levels. The first line of defense in every business unit and function should own its portion of the process.

How we can help

Grant Thornton LLP provides a full spectrum of tailored services to help your organization on the road to greater efficiency. We work closely with institutions to help structure an RCSA maturity assessment; develop a target state roadmap; and manage the planning, design and execution of an initiative to enhance the program.

We specialize in working with clients to help identify, remediate and resolve RCSA gaps so they meet and/or exceed regulatory requirements efficiently.

Our risk management services

Grant Thornton's teams consist of former financial services executives, regulators, compliance officers and senior leaders who have served in key risk management roles and have worked with institutions of all sizes and across all industries.

We have extensive experience with:

- Allowance for loan and lease losses and current expected credit loss models
- Benchmarking
- Credit risk management
- Data management and reporting
- Enterprise risk management
- Governance and board oversight
- GRC solution implementation
- Internal audit
- Internal controls
- Model risk management
- Operational risk management
- Outsourcing or co-sourcing of activities
- Regulatory requirements
- Reputation risk management
- Risk assessment and risk appetite
- Stress-testing, including the Comprehensive Capital Analysis and Review and Dodd-Frank Act stress testing
- Third-party risk management

An industrial approach to risk and control self-assessments line

Our Financial Services Advisory practice

Grant Thornton's Risk Center of Excellence within the Financial Services Advisory practice has experience working with a number of financial service sectors, including:

- Banks, trusts and agencies/branches of foreign banks operating in the U.S.
- Insurance companies
- Asset management and securities
- Markets and infrastructures

Benefits of working with Grant Thornton

- Our Risk Advisory Center of Excellence provides thought leadership and risk advisory services.
- Leading-edge experience, gained by working with 13 of the largest banks in the United States and 17 of the 20 largest global banks.
- Broad and deep industry experience with qualifications in all types of financial institutions.
- Knowledge of current emerging financial services challenges and regulatory mandates that demand risk management solutions.
- The ability to leverage the firm's tools and leading industry practices to shorten project time frames and reduce overall project costs.
- A risk management team can be deployed based on the client's geographic requirements and footprint.

Contacts

Jose Molina
Principal
Financial Services Advisory
T 1 312 602 8330
E jose.molina@us.gt.com

Nigel Smith
National Managing Principal
Financial Services Advisory
T 1 212 542 9920
E nigel.smith@us.gt.com



Connect with us

-  grantthornton.com
-  [@granthorntonus](https://twitter.com/granthorntonus)
-  [linkd.in/granthorntonus](https://www.linkedin.com/company/granthorntonus)

"Grant Thornton" refers to Grant Thornton LLP, the U.S. member firm of Grant Thornton International Ltd (GTIL), and/or refers to the brand under which the GTIL member firms provide audit, tax and advisory services to their clients, as the context requires. GTIL and each of its member firms are separate legal entities and are not a worldwide partnership. GTIL does not provide services to clients. Services are delivered by the member firms in their respective countries. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. In the United States, visit grantthornton.com for details.