



Advanced Operational Risk Group (AORG) Annual Report

Fiscal Year Ending August 31, 2025

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PART I: About AORG

- Mission
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Mission – It's all about ADVANCED



- The AORG was formed in 2006 at the suggestion of senior U.S. regulators. Since its inception, the Group has supported *advanced* operational risk management and the fundamental goals of improving operational risk management practice and ensuring capital adequacy.
- To achieve these goals AORG has promoted the view that regulatory agencies must address two broad themes as they continue to move from policy development to supervisory and examination practice, including: 1) Operational risk regulation should remain principles-based vs. prescriptive in nature; and 2) A proper balance between management and measurement should be maintained.
- **Mission:** to advance the disciplines of **operational risk management** and **operational risk measurement** by:
 - Conducting regular range-of-practice surveys among the member institutions
 - Sponsoring a series of working groups on topics such as data & quantification, scenario analysis, third-party risk management, wealth management, data risk & governance, and RCSA advanced practices
 - Conducting quarterly roundtable discussions on topics of mutual interest and concern
 - Preparing industry position papers and providing comments to the Basel Committee and the U.S. regulators
 - Engaging in regular dialogue with senior U.S. regulators
- As a member-driven group, the AORG is led by its Steering and Regulatory Committee of senior operational risk leaders at member institutions. *See Slide 6.*

Membership



AORG membership and engagement remains strong with 33 members:

AORG Members (<i>*New Member</i>)				
Bank of America	BMO Financial	BNP Paribas	BNY Mellon	Capital One Bank
<i>Charles Schwab*</i>	Citigroup	CLS	Deutsche Bank	Fifth Third Bank
First Citizens Bank	Goldman Sachs	Huntington	HSBC North America	JPMorgan Chase
KeyCorp	<i>Mizuho*</i>	M&T Bank	Morgan Stanley	MUFG Bank
Northern Trust	PNC Financial	<i>Raymond James*</i>	Royal Bank of Canada	Santander Holdings USA
<i>Scotiabank*</i>	Société Générale	State Street	TD Bank Financial Group	Truist
U.S. Bank	Wells Fargo	Zions Bank		

AORG Steering Committee

As a member-driven group, the AORG is led by a committee of operational risk leaders at member institutions:

- Matt Duditch (Chair), U.S. Bank
- Nedim Baruh, JPMorgan Chase
- Rick Brandt, Citi
- Regina Desler, Northern Trust
- Ni Kenney, Capital One
- Mike Breen, Fifth Third Bank
- Bob Cataldo, BMO
- Jack Sprague, HSBC

ProSight Support Team

- Ed DeMarco, General Counsel and MD of Advanced Risk Services
- Jay Newberry, AORG Facilitator
- Sylwia Czajkowska, Associate Director, ORM/ERM

Thank you to the Steering Committee for their leadership and continued dedication of time and expertise to drive the agenda and the continued success of the AORG.

PART II: Year in Review

Overview of:

- **Roundtables**
- **Working Groups**
- **Surveys**



- **Roundtables:** Continued the highly successful, quarterly “Hot Topic” Roundtable Series
 - Completed Sessions: Payment Systems Risk Management, Data Risk & Governance (two), RCSA Advanced Practices, and Resolution Plans for IDIs
 - Upcoming Session: Near Misses (date forthcoming)
- **Working Groups:** Facilitated 6 active Working Groups for peer sharing, collaboration, and thought leadership with well over 100 individual participants:
 - Launched a new Data Risk and Governance Working Group
 - Launched a new RCSA Advanced Practices Working Group
- **Surveys:** Completed 4 recurring as well as one-off deep dive ROP surveys and, in a new and popular trend, completed 5 smaller pulse surveys (quick and focused), all driven by member interest. A sixth pulse survey is underway for completion during this fiscal year.

Year in Review (continued)



- Continued in-person peer sharing and networking events for our Primary members:
 - The Fall meeting was held at Truist in Charlotte
 - The Spring meeting was held in New York at JPMorgan Chase
 - The Fall 2025 meeting is planned for November in New York at First Citizens
- Conducted highly successful AORG Panel at GCOR 2025: *“Velocity of Change: A Growing Key Operational Risk – and a Key to Operational Risk Management”*
 - Panelists: Mary Kapferer, KeyBank; Chris Nestore, TD; and Robert Salerno, HSBC USA
 - Session Views: 1,371
 - Rating: 5.4 (on a 1–6 scale)

On behalf of the AORG, ProSight would like to extend its gratitude to the teams at Truist and JPMorgan Chase for hosting the Fall and Spring Meetings.

Member Engagement

- **May 2025 Primaries Meeting**
- **October 2024 Primaries Meeting**
- **Surveys**
- **Working Groups**
- **“Hot Topic” Roundtables**



Member Engagement: May 2025 Primaries' Meeting



Thirty (30) of the 33 institutional members participated in the AORG Semi-annual Primaries' Meeting, May 6, in New York City to tackle key issues facing member institutions, demonstrating the very essence of a **member-led** industry group:

Key Sessions	Discussion Leaders
Top Priorities for ORM by Institution	<ul style="list-style-type: none"> • All Participants
Key Findings from AORG Surveys	<ul style="list-style-type: none"> • Rick Brandt, Citi
Third Party Risk Management & Resiliency	<ul style="list-style-type: none"> • Ramy Farha, Oliver Wyman • Rico Brandenburg, Oliver Wyman
AI Deployment & Risk Management	<ul style="list-style-type: none"> • Ed DeMarco, ProSight • Kevin Oden, RMA Model Validation Consortium
Current Geopolitical Environment	<ul style="list-style-type: none"> • Ni Kenney, CapitalOne
Evolution of Organizational Design	<ul style="list-style-type: none"> • Kelli Huber, Charles Schwab • Jack Sprague, HSBC
Change Management & the Velocity of Change	<ul style="list-style-type: none"> • Mary Kapferer, KeyBank • Chris Nestore, TD
2026 Objectives & Focus Areas for AORG	<ul style="list-style-type: none"> • Matt Duditch, U.S. Bank

Member Engagement: October 2024 Primaries' Meeting



Twenty-three (23) of the then-31 institutional members participated in the AORG Semi-annual Primaries' Meeting, October 22, in Charlotte, to tackle key issues facing member institutions, demonstrating the very essence of a **member-led** industry group

Key Sessions	Discussion Leaders
Top Priorities for ORM by Institution	<ul style="list-style-type: none"> All Participants
Excessive Conservatism of Capital Requirements Post-AMA	<ul style="list-style-type: none"> Rick Brandt, Citi Ni Kenney, CapitalOne
Advanced Analytics for Managing Operational Risk	<ul style="list-style-type: none"> Hans Schumacher, Bank of America Nedim Baruh, JPMorgan Chase
Convergence of Non-Financial Risks	<ul style="list-style-type: none"> Ryan Smalley, PNC
Data Risk & Governance	<ul style="list-style-type: none"> Matt Duditch, U.S. Bank
Third Party Risk Management: <ul style="list-style-type: none"> Critical Vendors Non-Traditional Vendors 	<ul style="list-style-type: none"> Casey Rider, First Citizens Tony Washington, Citi Ted Reynolds, Wells Fargo
Operational Resilience	<ul style="list-style-type: none"> Mary Kapferer, KeyBank
Second Line Oversight of Technology Changes	<ul style="list-style-type: none"> Lisa Jablonski, Wells Fargo

Member Engagement: Surveys



- **Range-of-Practice Surveys**
 - Annual CCAR Ratios ROP Survey (23)
 - Scenario Analysis ROP Survey (19)
 - Data Risk and Governance Baseline ROP Survey (15)
 - Risk Reporting ROP Survey (19)
- **Short-form or “Pulse” Surveys**
 - CCAR Conservatism and Material Risk Inclusion (17)
 - CCAR Models for Execution Type Losses (14)
 - Near Misses and ILD Threshold (25)
 - Will form the basis for a “hot topic” roundtable
 - Payment Systems Risk Management (14)
 - Third Party Risk Management Committees (12)
 - Controls and Testing ROP Pulse Survey (in the field; completion date: August)

Note: Number of firms participating shown in parentheses

Member Engagement: Working Groups



AORG operates six (6) member-driven Working Groups:

- **Data and Quantification Working Group**
 - **Leaders: Regina Desler, Northern Trust; and Dan O'Brien, Citi**
 - Meets monthly; with approximately 50 participants
 - Informs the Annual CCAR Ratios Survey, as well as the Risk Reporting ROP Survey
- **Scenario Analysis Working Group**
 - **Leaders: Mike Boyd, Bank of America; and Owen Bacewicz, Wells Fargo**
 - Meets semi-annually; with approximately 25 participants
- **Wealth Management and Retail/Online Brokerage Working Group**
 - **Leader: Michelle Rawlins, Morgan Stanley**
 - Meets quarterly, targeting a subset of member firms (about 12) to explore LOB-specific issues and practices

Member Engagement: Working Groups



- **Third Party Risk Management Working Group**

- **Leaders: Matt Buskard, Fifth Third and Sarah Smith, U.S. Bank**

- Meets monthly, and virtually all AORG member firms participate
- Like the WG below, this topic expands the scope of the AORG focus from its traditional roots and broadens the number of participating individuals at our member firms

- **Data Risk & Governance Working Group**

- **Leaders: Paul O'Donovan, BMO; John Kunkes, Northern Trust; and Sumeet Gadhoke, U.S. Bank**

- Meets bi-monthly; with approximately 20 participants
- Developed the Data Risk and Governance Baseline ROP Survey

- **RCSA Advanced Practices Working Group**

- **Leaders: TBD (as this is a new WG)**

- Launched July 2025; with approximately 35 participants
- Informed the Controls and Testing ROP Pulse Survey, which launched July 24 with an August 7 completion date

Member Engagement: “Hot Topic” Roundtables



- **Payment Systems Risk Management and Payments Risk**
 - July 10, 2025: with 44 participants
- **RCSA Challenges and Advanced Opportunities**
 - April 7, 2025: with 117 participants
- **Resolution Planning**
 - March 11, 2025: a focused session with 16 participants
- **Data Risk and Governance**
 - December 9, 2024: with 47 participants
 - Part 1: Boston Consulting Group Shares a Current View of the DR&G Landscape – Elliot Boughen
 - Part 2: Discuss Formation of a new AORG Working Group
- **Data Risk and Governance**
 - September 16, 2024; with 60 participants

Governance

- **Steering Committee**
- **Role of the Primary Representative**
- **“Member-Driven” Operating Model**



Governance: AORG Steering Committee



- The roles and responsibilities of the AORG Steering & Regulatory Committee members are as follows:
 - AORG Steering and Regulatory Committee members are invited to serve based on a combination of their demonstrated and anticipated individual contributions to the AORG, as well as their company affiliation
 - The AORG Steering Committee members consist of the senior-most representative of a member institution
 - Although Steering Committee members serve on a voluntary basis, the role is much like that of a fiduciary/board member. AORG Steering Committee members do not act on behalf of themselves or their institution, but rather in the best interests of the AORG membership
 - Steering Committee members take a leadership role in the AORG including, but not limited to, planning activities, active participation in one or more subgroups, active participation at AORG and regulatory meetings, and/or interface with other industry groups
 - Steering Committee members are encouraged to attend all monthly meetings. If unavailable, members should inform the AORG support team in advance of the scheduled meeting. Designating substitutes to attend Committee meetings is not deemed appropriate

Governance: Role of the Primary Representative



- Each member institution designates a “**Primary representative,**” who is responsible for:
 - Ensuring communication of AORG content to its internal constituencies
 - Ensuring participation of relevant individuals in AORG working groups, seasonal meetings, range of practice studies, industry-regulatory communication/responses
 - Participating in seasonal in-person meetings of the Primary members (Fall and Spring)
 - **The next meeting of the Primaries will be November 4 in New York; details to follow**
- The Primary representative should be the higher-level person with responsibilities aligned with AORG’s focus

Governance: Member-Driven Operating Model



- AORG initiatives – “hot topic” roundtables, working groups, surveys, etc. – are developed at the suggestion of AORG member institutions.
- Working Groups are generally led by one or more SMEs from AORG member institutions, with support provided by ProSight.
 - Working Groups may:
 - be “standing” working groups such as the Data & Quantification Working Group; or
 - have a limited duration such as the Basel 3 Endgame Working Group that AORG sponsored in FY24 to review the Basel 3 Endgame proposal and submit a comment letter; or
 - cover topics of interest to all members (e.g., Third Party Risk Management Working Group) or target a subset of members (e.g., Wealth Management Working Group).
 - Working Groups are open to an unlimited number of participants from AORG member institutions.
- AORG regularly conducts Range-of-Practice Surveys, as well as shorter, targeted “pulse” surveys. Survey results are confidential and are shared with AORG members on a “give-to-get” protocol to ensure broad participation.

AORG Value Proposition



AORG Value Proposition



The approach is efficient and effective:

- The members of the AORG pool their resources and draw on a robust support structure.
- The AORG delivers a coordinated, cost-effective way to tackle multiple issues simultaneously by creating workstreams that leverage the expertise of members and external subject matter experts.

The benefits are tangible:

- A cohesive Peer Community with a *member-driven agenda* that engages in superior peer networking and knowledge sharing – Informal, Candid, Confidential, Educational
- Regulatory Briefings & Dialogue
 - Facilitates dialogue and education among AORG members and the regulators
 - Generates thoughtful responses to regulatory and legislative consultative documents/proposed rules as an industry group.
 - Range of Practice Surveys
 - Thought Leadership – Development of consistent guidelines and common terminology
 - Working Groups – Inclusive: Flexible, unlimited number of individual participants per member institution

AORG Value Proposition



The fee structure is simple:

- A single annual fee provides access to the AORG community and working groups, facilitated by a strong internal and external support team.
 - A material enhancement to bank-originated bi-lateral efforts; a significantly more efficient and effective approach to peer sharing, networking, and benchmarking.
 - A cost-effective supplement to banks' bilateral regulatory dialogue.
- The FY26 fee remains level at \$20,500.



About ProSight

- ProSight Financial Association is a 501(c)(6) not-for-profit industry organization formed through the merger of The Risk Management Association (“RMA”) and Bank Administration Institute (“BAI”).
- The strategic combination brings together RMA’s expertise in serving the commercial banking and risk management functions and BAI’s knowledge in serving the retail banking and regulatory compliance functions.
- ProSight provides training, thought leadership, events, and resources to help institutions grow and innovate while ensuring a strong culture of risk, compliance, and fraud management.
- ProSight has over 1,000 institutional members and 70,000 associate members across North America.