

# Key Findings

from RMA's CRO

'Span of Control' Survey

RMA's survey of chief risk officers reveals that 96% of respondents report directly to their CEOs.

BY SHEA SCARPA

LAST SPRING, RMA conducted the Chief Risk Officer Span of Control survey to identify the roles and responsibilities of the CRO function at large banks. Responses were received from 25 CROs at institutions with median C&I portfolios of \$30 billion, commercial real estate portfolios of \$10 billion, and consumer portfolios of \$38 billion as of March 2012. In addition, 15 of the responding CROs are responsible for global portfolios, while the remaining 10 are from institutions whose exposures and responsibilities are oriented toward North America.

The survey results indicate that 96% of the CROs have a solid-line report to the CEO. One participant indicated he also had a solid-line report to the chair of the risk committee and to the parent company's CRO. Other participants indi-

cated that they had additional solid-line reports to the deputy CRO or to the group CRO. The remaining 4% of participants report to audit or to the risk committee of the board.

Participants also were polled on their dotted-line reporting. Two-thirds indicated that they have a dotted-line report to the chair of the board's risk committee. Some others answered that they report on a dotted-line to one or more of the following: the CEO, CRO, chair of the audit committee, and the foreign parent risk officer. Two said they had no dotted-line report at all, and two others did not respond to this question.

The CROs were then asked, "Which risks do you have whole or substantial responsibility for?" As indicated by Figure 1, operational, credit, and market risks pre-

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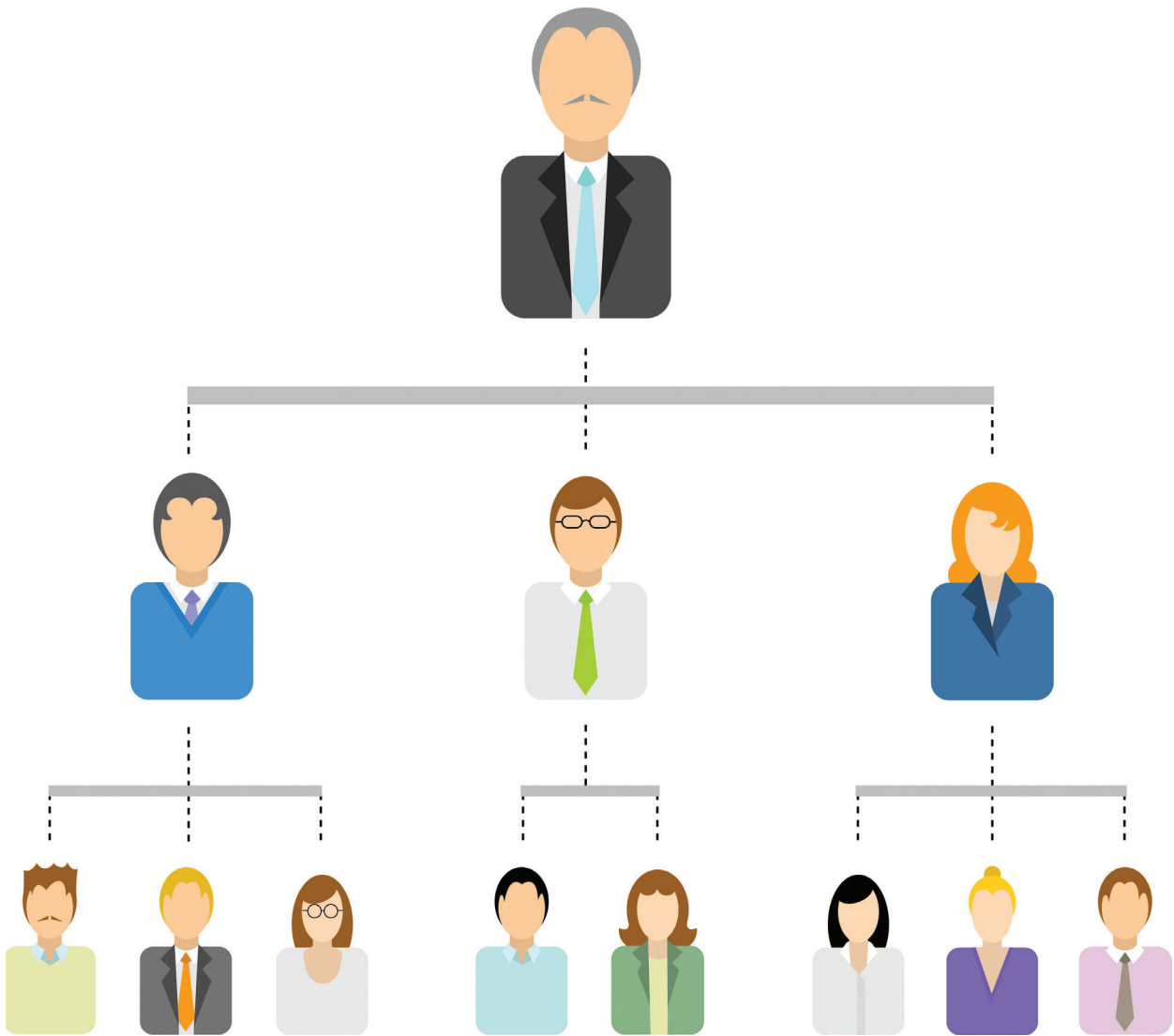


Figure 1

### Area of Risk for Which the CRO Is Wholly or Substantially Responsible

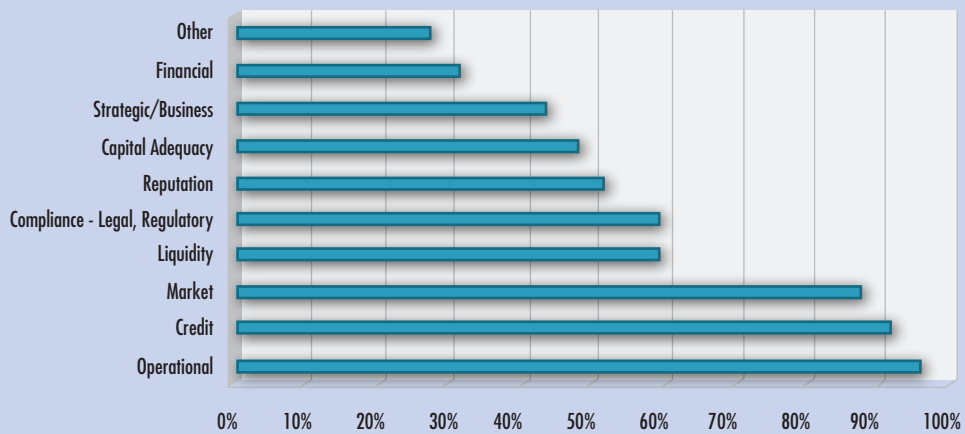
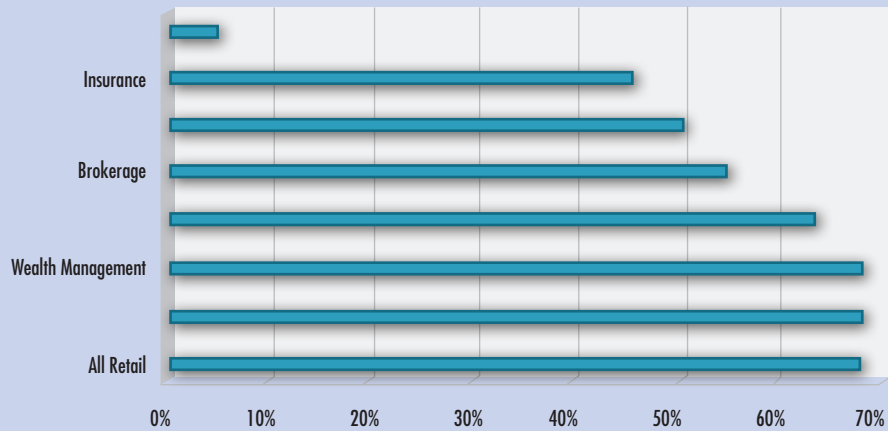


Figure 2

### Business Areas for Which CRO is Wholly or Substantially Responsible



(Text continued from pg. 28)

dominate, followed by liquidity and compliance (legal and regulatory) risks. Some of the CROs also included emerging risks and model risk as areas for which they were responsible.

Figure 2 indicates the responses of the 22 participants who answered the question, “Which business areas are you

wholly or substantially responsible for?” All-retail, real estate, wealth management, and commercial were selected most often, while insurance and certain retail were selected the least. The participants further indicated that the CRO function is also responsible for business areas such as wholesale

dealer, capital markets, centralized small business underwriting, treasury, payments, asset recovery management solutions, fixed income, investment servicing, and investment management.

The survey then asked participants about the positions that reported directly to them. Of the 16 options, head of operational risk and head of enterprise risk management were selected most often, followed by chief credit officer and head of market risk and trading. Participants did not select chief financial officer or treasurer. Only one institution reported the head of asset-liability management. Other responses included chief legal officer and the heads of model validation, government affairs, allowance/risk grading, and enterprise stress testing.

Three survey participants confirmed that they are wholly or substantially responsible for all subsidiary operations. While 16 CROs do not have responsibility for subsidiary operations, six respondents stated that they are responsible for mortgage, all credit, and noncredit subsidiaries (for example, specialized lending, broker/dealer, insurance, etc.), fixed income, the wealth management affiliate, and investment, operational, and fiduciary risk.

The last two questions were open-ended. First, participants were asked to disclose committees on which they serve as chairs. Responses included (but were not limited to) the reputational risk, operational risk, risk management, policy review, ethics and compliance, investment portfolio, asset-liability, risk appetite, and Basel steering committees. Finally, participants were asked which committees they serve on as members. Some of the responses included the ALCO, ERMC, disclosure, compensation risk oversight, systems planning and policy, and human investment committees, as well as the Basel executive committee, the risk committee of the board, and the ALL, credit, and management committees. ❖



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RMA thanks the 25 CROs who took part in this survey. Each received the full report of survey findings, in which their identities were masked.

To learn more about enterprise risk surveys, visit <http://www.rmahq.org/risk-management/enterprise-risk>. If you are interested in participating in future surveys, please write to [surveys@rmahq.org](mailto:surveys@rmahq.org).

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