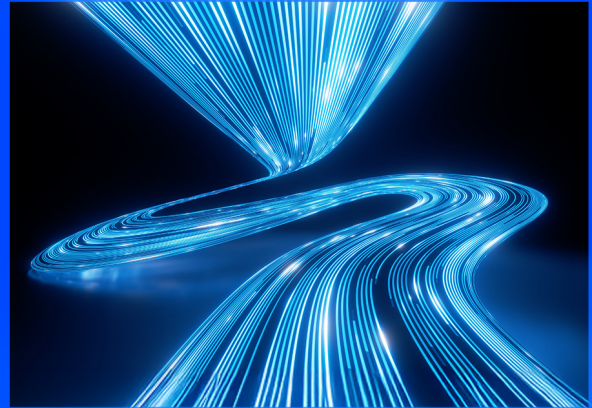




Risk transformation

Future-proof your risk organization



Where we are today

The traditional risk function has been pushed to its limits. Built for a post-2008 world, its resource-intensive regulatory driven model is now a direct drag on capital that creates friction that slows growth. While the business accelerates, the risk function struggles to keep pace with modernization. Organizations are not realizing the value relative to the risk mitigation activities and finding that the very processes designed to mitigate risk aren't truly effective. Risk operations are hampered by manual processes and a backward-looking worldview that burdens your first line with bureaucracy, inhibiting the real-time intelligence needed for value creation, growth, and proactive risk mitigation.

This mismatch has widened into a chasm. A rare moment of regulatory leniency has created a unique, fleeting window to act. Recent proposals, such as the updates to the OCC's heightened standards and the principles-based approach of SR 26-2, signal a clear pivot. Regulators appear to be prioritizing effective risk management over siloed bureaucracy and backwards-looking documentation-centric model. Continuing to operate with this 20-year-old model is a direct threat to profitability and market position. Organizations need to mitigate the risks that prevent the organization from safely achieving strategic objectives. Organizations must shift focus to identifying "real" risks instead of arbitrary and ineffective "rule-based" risk management. The focus of risk management must shift from preventing failure to enabling faster, more profitable execution through modernization.

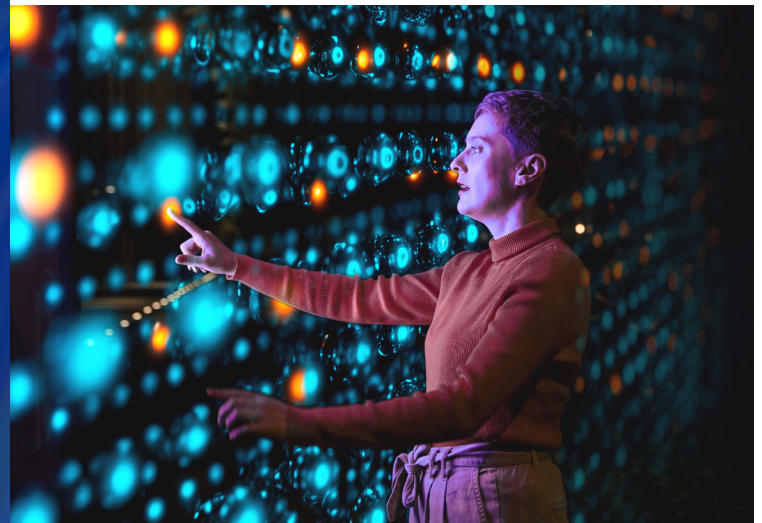
The opportunity: The tangible returns of modernization

The business case for modernization is not abstract; it is grounded in immediate, quantifiable financial and strategic returns. Three tangible steps create the blueprint for modernization:



Fund the future with reclaimed capital

Modernizing risk can be a partially self-funded journey. By reclaiming budget from inefficient activities and unlocking new capital efficiencies through faster, more intelligent risk management, you create a powerful engine to continuously fund the transformation and other strategic efforts. This can happen now and quickly by identifying activities today to initiate the flywheel while the organization moves to a continuously value realization mindset.



Accelerate speed to market and become a growth partner

Transform the risk function from a business blocker into a strategic partner. This means allowing for speed but also emphasizing the importance of loss prevention in parallel. By embedding real-time, data-driven insights into the first line, you empower them to safely capture market share. This result makes the best possible risk-adjusted decisions to maximize returns, while enabling the business to pursue new products, markets, and strategic partnerships faster than your competitors.

Build a scalable, future-ready risk platform

Create a permanent strategic advantage by centralizing technical expertise and data into a modern “Risk Fabric.” This scalable engine allows you to develop and deploy new risk capabilities (e.g., predictive analytics, controls driven by artificial intelligence) enterprise-wide with speed and consistency. Instead of reacting to yesterday’s problems, organizations will own a platform that anticipates tomorrow’s risks and ensures readiness for the future.

Organizations who capture this opportunity are poised to realize:



reduction in 2nd LoD oversight costs



reduction 1st LoD administrative costs

Source: “The KPMG 2026 Risk Function Cost Takeout Opportunity Analysis Study,” KPMG LLP, May 2026



The playbook: First steps to execution

Bridging the gap from today’s challenges to a modernized risk function demands an established execution strategy. Our approach breaks down future-state capabilities into a clear roadmap of executable workstreams. This helps ensure that every step is manageable, measurable, and directly linked to value creation. The phased journey is summarized below, starting with a focused, high-intensity sprint.

Phase 1

The First 90 Days: Establish the foundation and fund the journey

This initial phase is about building a board-ready business case and securing alignment across the lines of defense.



Align on the strategic “North Star”

Solidify a shared, C-suite-level vision for the future-state risk function and how it will directly enable the firm’s growth agenda.



Establish baseline metrics for ROI

Quantify the current state to build the business case. Define the key performance indicators—cost, speed, loss rates, capital efficiency—which will measure the success of the transformation.



Identify and launch “Quick Wins”

Immediately identify and execute high-impact, short-term initiatives (e.g., process automation in reporting) to generate tangible value, prove the concept, and begin self-funding the journey.

Phase 2

The First Year: Build foundational capabilities

With the strategic vision set and quick wins delivering value, the focus shifts to building the core infrastructure.



Design the modern target operating model (TOM)

Design a modern TOM that moves away from traditional, siloed risk functions. In the future, deep technical expertise is centralized for efficiency and scale, while risk advisory capabilities are deployed directly into the business.



Develop the "Risk Fabric"

Create shared data, analytics, and technology capabilities, helping ensure business units receive consistent, data-driven guidance needed to make faster, more intelligent decisions.



Develop and roll out initial capabilities

Develop and launch the first set of modern risk capabilities (e.g., policy-as-code, business embedded intelligence, early warning analytics) to high-value domains to demonstrate clear progress on the modernization roadmap. The objective is to continuously deploy capabilities that allow for continuous value realization.

Phase 3

The Long Term: Scale and sustain value

With the foundation in place, the final phase is about scaling capabilities across the enterprise taking a patterns-based approach that allows for reusable capabilities to help maximize return on investment.



Scale modern capabilities enterprise-wide

Systematically roll out the new risk capabilities across all business lines and risk domains to fully realize their benefits and achieve sustained, substantial cost savings. Identify where reusable patterns can be easily leveraged across to maximize value.



Embed into business-as-usual (BAU)

Fully integrate the modernized risk functions into daily business processes focusing on clear ownership, a mechanism for continuous improvement and feedback, and enabling a culture of risk accountability.



The imperative

For the last 20 years, the game in risk management has been simple: don't be an example of what went wrong. The goal wasn't really to effectively manage risk but rather to look like risk was managed. And for a while, that worked. But that game is over.

The next decade will focus on the ability to manage risk at the speed of the business and will be the defining characteristic of winning financial institutions.

This is more than a project; it is a fundamental re-architecting of how your firm protects its balance sheet and captures market share. In this moment of regulatory evolution, organizations have a rare window to seize the advantage. By acting now, you can transform risk from a lagging rule-based function into an intelligent, predictive force that not only drives your strategic agenda, but also permanently advances your capital efficiency ahead of the competition.

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