

A woman with short grey hair and glasses, wearing a dark blazer over a grey turtleneck, is seated at a desk. She is looking down at a small object in her hand, possibly a pen or a small device. A laptop is open on the desk in front of her. The background shows a modern office environment with framed pictures on the wall and a potted plant.

FINANCIAL SERVICES INDUSTRY SPOTLIGHT

Enterprise Risk Management

An Engine for Achieving Performance

|BDO[®]

Five Questions Financial Services Leaders Should Ask About Enterprise Risks

Today's financial services organizations operate in a technologically interconnected environment that leaves them exposed on every front. As the service offerings expand, organizations may struggle with new technology and regulations while planning for emerging risks such as blockchain and bitcoin, quantum computing, and smart contracts. Leaders have to be forward thinking while monitoring the ground in front of them.

Some organizations may manage enterprise risks in isolation — a compliance report here, a heat map there — treating risk management as a periodic exercise rather than an operating discipline. That approach is no longer sufficient. A strong enterprise risk management (ERM) strategy connects risk directly to performance, giving leaders the coordinated visibility and accountability needed to protect operations and make faster decisions under pressure.

The following questions and answers shed new light on ERM and how an ERM assessment can help financial services leaders reduce risk and operational disruption.



What Are the Most Significant Enterprise Risks Facing Financial Services Today?

- ▶ **Regulatory uncertainty** is a top risk for financial services organizations as digital asset regulations, tax requirements, and reporting obligations continue to evolve. Leaders facing compliance challenges may also feel their organizations are operating in a framework with no set rules from both tax and regulatory perspective.
- ▶ **Cybersecurity threats** remain a high-level concern. Financial institutions typically are prime targets for cyberattacks and data breaches that disrupt operations and financial reporting, as well as damaging organizational reputation and stakeholder trust.
- ▶ **Market volatility** — often caused by factors like fluctuations in digital asset markets, changing interest rates, and continued economic uncertainty — has a significant impact on strategic planning, liquidity, and profitability for financial services organizations.
- ▶ **Third-party ecosystem dependencies** heighten counterparty risks because of the industry's reliance on networks of large exchanges, platforms, and custodians. In risk, security, or compliance discussions, the term matters because problems in that wider ecosystem can affect an organization's operations even if the issue is not with a direct vendor.
- ▶ **Weak governance and resource limitations** clash with the institutionalization rapidly occurring in the finance industry. Organizations without strong governance structures, mature controls, and robust ERM strategies may not have the security controls and knowledgeable staff needed to catch both slow-moving threats and risks that require immediate attention.
- ▶ **Quantum computers**, which process data differently than regular computers, have the potential to access encrypted, sensitive records like those held and safeguarded by financial institutions.
- ▶ **Natural disasters** can destroy a facility and compromise sensitive data, making a strong crisis management plan necessary to minimize operational disruptions.



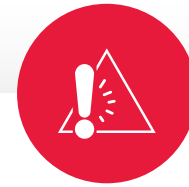
How Have Top Risks Changed in Recent Years, and What New Risks Are Emerging?



Decentralized finance (DeFi) has altered the core infrastructure of financial institutions, surfacing both new opportunities and risks. The increased use of blockchain and smart contracts requires proactive ERM and strong internal controls.



Institutional adoption of blockchain and bitcoin is increasing — along with investor and stakeholder expectations for more comprehensive security controls and stronger governance.



Crisis management plans have become more crucial for avoiding major operational disruptions during disaster events.



Quantum computing use has escalated tremendously, giving bad actors tools that may not have reached their full potential yet and that financial services leaders are not prepared to defend against.



AI innovations are providing new capabilities for both organizations and cyber criminals, while reshaping risk profiles to include new governance concerns, fraud, cybersecurity, and data management challenge



Data centers now present a greater burden for many organizations. In addition to the cost of building and equipping the data center, financial services organizations must also address new cyber risks to ensure both data privacy and disaster recovery.

Where Do Financial Services Organizations Most Commonly Struggle With ERM?

- ▶ **Rapid growth and expanding resources** can create complexity that makes it harder for leadership to maintain visibility into risks across the business. Without a coordinated ERM approach, risks may become fragmented across multiple functions.
- ▶ **Controls and governance** may not have been considered a priority. Digital asset organizations may focused first on survival and growth, leaving governance, controls, and risk management practices as secondary priorities. As the industry matures, stronger checks and balances are becoming increasingly important.
- ▶ The financial impact of **crypto mining, data centers, equipment failures, outages, and disruptions** can be significant, especially when ERM has been neglected.
- ▶ Organizations may fail to develop **proper disaster recovery plans**, which is especially risky when failing to recognize risks associated with areas prone to natural disasters.
- ▶ Leaders may concentrate attention on a **single risk while overlooking other threats** that could affect operations, compliance, or business strategy.
- ▶ Fast-growing digital asset companies may have **high employee turnover** that results in the loss of important tax, finance, and governance knowledge. It's crucial to document and retain processes and other data to avoid compliance and operational challenges.
- ▶ Leaders may **fail to document institutional knowledge** — particularly about the finance, tax, and accounting functions — when employees leave the organization.



How Can Financial Services Leaders Better Connect Risk Management to Operational Performance and Strategy?



Conduct a thorough ERM assessment to identify and prioritize risks across the organization.



Develop strong ERM then embed it into strategic business plans, evaluating all initiatives through a risk lens. Instead of focusing on compliance, view ERM as a strategic enabler.



Assign clear accountability to pertinent stakeholders rather than centralizing risk ownership inside a single compliance function. Doing so connects ERM directly to the people who control the organization's operational and strategic outcomes.



Focus on decision making instead of reporting. Rather than defaulting to static risk inventories, use ERM to clarify strategies and decision makers.



Give key stakeholders access to both quantitative and qualitative data to help them understand how risks could affect business performance.



Align risk management with strategic planning for performance and production to help ERM function as a defensive activity that can drive cost savings, efficiency, and better resource allocation.

How Can an ERM Assessment Build Resilience and Agility?



An ERM assessment creates visibility into interconnected risks, helping enable more coordination between functions in the organization. Leaders in financial institutions can gain a more comprehensive understanding of the overall emerging threats, the risk maturity, the governance framework, and that, in turn, helps with growth.

By gaining a thorough understanding of potential changes or events, organizations can align ERM processes with shifting business conditions and strategic objectives. Financial services leaders might build redundancies into their third-party ecosystem to cover disruptions caused by events in the geopolitical environment.

The results from an ERM assessment can help financial services organizations establish controls, create clear escalation triggers, and clarify both ownership and accountability. While financial services leaders should consider ERM a business discipline, they are also bound to comply with a myriad of standards, laws, and regulations.

Embedding risk considerations into broader business processes instead of treating ERM as a standalone function can position the organization to withstand shocks to business performance and adapt to technological innovation.

ERM becomes part of the due diligence process when approaching investors, selling the company, or setting up an M&A.



Turning Risk into a Performance Opportunity

For financial services organizations, the challenge is not identifying enterprise risks but translating risk documentation into integrated business planning. An enterprise risk assessment can shift ERM from a reactive, compliance-focused exercise to a strategic tool that supports long-term planning, performance, and growth. Organizations that make this transition are better positioned to sustain operations during disruptions and remain focused on strategic priorities rather than continuously responding to the latest crisis or innovation.

BDO's eBook, **Enterprise Risk Management: An Engine for Achieving Performance**, explores how financial services organizations are replacing static heat maps and siloed risk efforts with an integrated ERM strategy that strengthens resilience, improves accountability, and supports better decision-making across the enterprise. BDO's [ERM services](#) offer tailored risk management strategies designed to help financial services leaders protect their organizations and achieve their performance goals, with a cross-functional approach spanning protection, innovation, and operations.

Explore the **Enterprise Risk Management: An Engine for Achieving Performance** ebook ▶





Contact BDO today to learn more about our **Enterprise Risk Management services** and how we can help your organization build resilience for the future.

Have questions or want to learn more? Contact us!

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