

From Studious Cartographer to Strategic Navigator:

The Evolution and Future of
ERM in Financial Services

A ProSight Research Report



About ProSight Financial Association

ProSight Financial Association empowers financial services leaders to strengthen and advance our industry. Formed through the merger of BAI and RMA, trusted organizations with rich histories and deep expertise in risk, compliance, and retail and commercial banking, we are here to support you during times of great change, guide you towards new opportunities for growth, and help you act with confidence. As ProSight, we've enhanced our ability to support you at a time when the industry is challenged to meet changing customer needs, adopt new technologies, and manage more complex risk and compliance issues. Our work creates positive ripple effects throughout financial services organizations and our industry—and ultimately helps consumers, businesses and communities thrive. Learn more at ProSightFA.org.

Acknowledgments

"From Studious Cartographer to Strategic Navigator: The Evolution and Future of ERM in Financial Services" is published by ProSight Financial Association.

In particular, ProSight would like to thank: **Avani Parekh**, *SVP/Head of Enterprise Risk Governance*, TD Bank; **Steven Erickson**, *SVP, Risk Management, Head of Non-Financial Risk Management*, Raymond James Financial; **Kim Persaud**, *Managing Director, Head of ERM Strategy, Risk Frameworks, Engagement*, Citigroup; **Karelle Pinnock**, *Managing Director, EORM*, Charles Schwab & Co Inc; **Aprille Savarese**, *Director, EVP, Enterprise Risk Management*, Zions Bancorporation NA;

ProSight would also like to recognize the work of Oliver Wyman, where **Hannah Vazquez**, *Partner, Financial Services, Finance and Risk*, and **Deepak Kollali**, *Partner, Co-Head of Risk & Public Policy* were instrumental in this project.

Please direct inquiries to Sylwia Czajkowska at sczajkowska@ProSightFA.org.

Design by Christopher Santoro.

February 2026

©2026 ProSight Financial Association. All rights reserved, including the right to reproduce this report or portions thereof in any form whatsoever.

Table of Contents

Introduction 4

ERM of the Past: The Studios Cartographer 5

ERM of the Future: The Strategic Navigator 7

Concluding Remarks..... 10

Introduction

The speed and complexity of change facing the financial services industry continues to increase as risks and the competitive landscape evolve in disruptive ways. Whether geopolitical swings across the globe, including volatile tariff policies, disruption from new technologies, or the rapid adoption of artificial intelligence (AI), these threats and opportunities cut across traditional risk disciplines. At the same time, financial institutions are transforming given evolving industry dynamics and client needs—digitizing assets, reshaping operating models, and competing in new ecosystems. And while the regulatory landscape continues to shift, expectations for Enterprise Risk Management (ERM) functions remain high. Against this backdrop, textbook linear risk management processes are becoming increasingly insufficient. Most firms are looking to their ERM functions to help address this changing landscape.

ERM¹ emerged as a second line of defense function in large financial institutions well over a decade ago and historically acted as a studious cartographer—drawing a single map across the risk taxonomy, businesses, products, and geographies—so senior management and the Board could have a bird’s-eye view of the risks facing the institution. Over time, ERM also became responsible for providing firms with a common risk language and unified approaches for managing risk across the organization. In line with its cartographer role, ERM started to build and own certain map-making programs including enterprise risk identification and assessment, risk appetite, and risk aggregation and reporting.

Today, ERM is expected to provide more than just static orientation—it must act as a compass, taking a more influential role in directing strategic decisions, organizational change, and operational excellence. ERM is evolving again with a sharpened focus on business impact, scalability, and risk efficiency, while retaining the foundational strengths of its cartographer past self. As ERM evolves to become more of a strategic navigator, its role shifts toward helping position business units and other risk segments to turn real-time risk analysis into actionable, risk-intelligent decisions. This transformation requires improved process discipline and operational delivery, including investments in automation and advanced tooling. AI, of course, has its role to play here, alongside sustained investments in talent development.

ProSight, in partnership with Oliver Wyman, organized an industry working group—including representatives from more than 25 North American financial institutions—to better understand this evolution of the ERM function, from its origins to its ongoing transformation. This article summarizes the learnings from the working group, including the results of an industry survey and associated interviews with ERM leaders (e.g., heads of ERM). The survey had 29 respondents, which included approximately two-thirds Category I to IV banks and one-third other financial institutions.

“We let experts do their assessments — while ERM provides credible challenge and consistency checks”

Senior Risk Leader, Large Regional Bank

¹ Throughout this paper, the term “ERM” is used to refer to the function within a financial institution, as opposed to the broader concept of risk management across the entire enterprise.

ERM of the Past: The Studious Cartographer

Based on the 2025 ERM Survey, ERM at North American firms is well-established, with 100% of responding firms having a dedicated ERM function. Just over half were established over 10 years ago and a quarter were established between 5 and 10 years ago. The majority of ERM functions report to the Chief Risk Officer. When this is not the case, it is often because ERM sits alongside Operational Risk Management under a Head of Non-Financial Risk Management.

Given its origin as the organization’s de facto “risk aggregator,” ERM has generally converged around a common set of programs that enable it to map out a comprehensive, top-of-the-house perspective of the risk landscape. This mapping has helped break down traditional silos, which is critical given the interconnectedness of risk exposures at large financial institutions. While ERM designs and owns these programs, the associated activities are often executed by other teams across the first and second line, with ERM collating and challenging the inputs and insights produced by those teams.

Figure 1. The Cartographer’s Tools

Enterprise Frameworks Generally Owned by ERM

	<p>Enterprise Risk Identification & Assessment</p>	<ul style="list-style-type: none"> Identify risks that threaten the firm Determine which parts of the firm are exposed Assess how severe the risks are 	<p>93% Framework owned by ERM</p>
	<p>Emerging Risks</p>	<ul style="list-style-type: none"> Spot new risks on the horizon Evaluate their potential impact Monitor risks as they emerge 	<p>96% Framework owned by ERM</p>
	<p>Enterprise Risk Appetite</p>	<ul style="list-style-type: none"> Set limits on the amount of risk to be taken Monitor that risks stay within appetite Escalate if risk levels rise to undesirable levels 	<p>100% Framework owned by ERM</p>
	<p>Risk Data Aggregation & Risk Reporting</p>	<ul style="list-style-type: none"> Bring together risk data across the enterprise Provide high-quality and timely risk reporting Support timely management decisions 	<p>93% Framework owned by ERM</p>

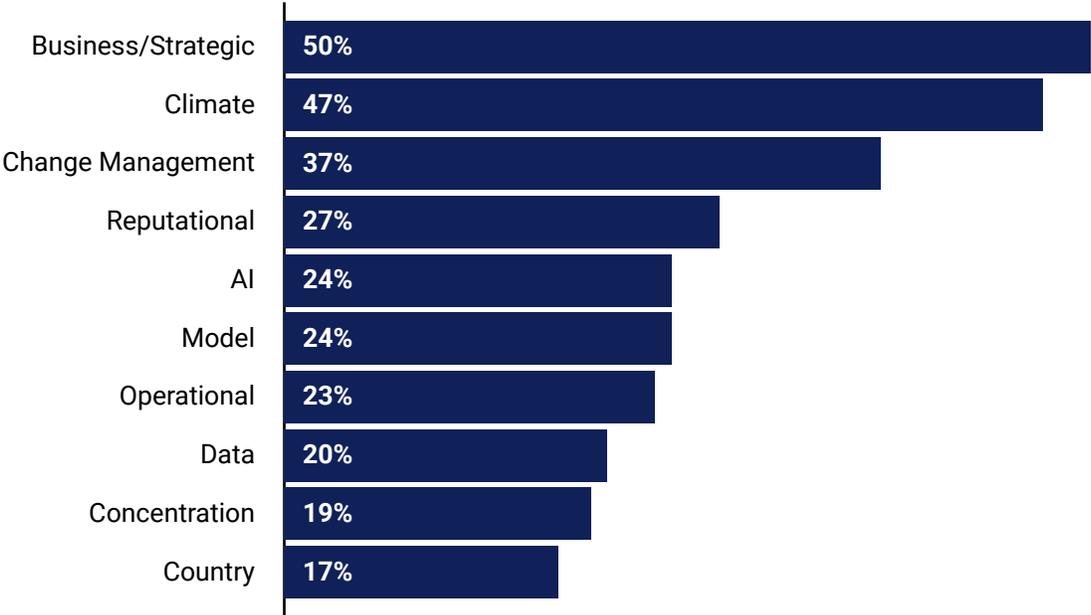
By bringing the output of these programs together, ERM is able to look through the lifecycle across various dimensions such as risk type or business unit to see what risks the firm is exposed to and to understand the potential impacts of those risks – individually and in aggregate. Armed with this holistic view, ERM is often asked to answer (with input from other subject-matter experts) critical questions from senior management and the Board that are the basis for prudent risk governance: What risks threaten us? How large are those risks collectively? Are they acceptable given our risk appetite and strategy? And, importantly, are we prepared to deal with them?

Notable among these ERM programs is the function’s growing role as the incubator for emerging risks. According to the 2025 ERM Survey data, ERM serves as the primary second line oversight function for Climate Risk (47% of respondents), Change Management Risk (37%), AI Risk (24%), and Data Risk (20%). Given that these risks often cut across traditional risk types or business unit boundaries, ERM has become the natural team to at least monitor and, in some cases, also design the programs for managing these topics. At some firms, as the risk management approaches for these areas mature, day-to-day responsibility for the program is then assigned to another dedicated risk segment.

In addition to its responsibility for emerging risks, ERM also plays an increasingly critical role in the second line’s perspective on strategic business activities. For almost 50% of survey respondents, ERM serves as the primary second line function for Strategic or Business Risk. For about 40% of respondents, ERM owns the new product / activity approval program, ensuring there is appropriate consideration of risks and involvement of risk experts as new products, services, and other change initiatives are developed and rolled out. ERM also typically coordinates second line input into the strategic plan, which includes requiring the business to analyze the strategic plan’s impact on risk appetite, as well as a holistic assessment of risks associated with the strategic plan to present to the Board.

Figure 2. ERM as the Primary 2LOD Oversight Function

By risk type



ERM of the Future: The Strategic Navigator

How is ERM pivoting given the shifts in the operating environment, threat landscape, its portfolio of responsibilities, and stakeholder expectations? Based on the 2025 ERM Survey, ERM is turning to the playbook of optimizing processes, leveraging technology, and investing in talent. With a focus on efficient program requirements, cutting-edge tools, and multi-skilled risk experts, ERM teams are growing into their new role as a strategic navigator. This is a critical shift for ERM to continue demonstrating its value in the eyes of senior management and the board.

Optimized processes – Doing the right things the right way

As a cartographer, ERM’s value was typically clear to senior management and, especially, to the Board. However, with its broader suite of responsibilities, the function has faced some skepticism from other parts of the organization. At times, ERM teams may be seen as focused on transactionally executing their programs, requesting information from business leaders and risk segments without depth of engagement.

Unsurprisingly, several survey respondents noted their focus on refreshing their core ERM programs. Over time, these programs have built up multiple layers of reviews or approvals, extensive documentation requirements, and an over-emphasis on comprehensiveness without risk stratification. These tendencies lengthen cycle times, reduce the relevance of program output, and slow decision making, all of which can prove problematic in today’s fast-moving and complex environment.

Figure 3: Optimized Processes in ERM



While efforts vary by respondent according to firm size and risk profile, many ERM functions are revising their program requirements to focus on what is necessary – emphasizing higher value-add activities and moderating areas viewed as more “nice to have.” They are increasing the risk stratification in routines and scaling back task-heavy assurance work in favor of horizon scanning and continuous monitoring. And, importantly, they are doing this with business leaders and risk segment teams at the table so execution of these programs and processes is optimized for those who operate them day-to-day. As an example of a risk discipline that continues to evolve to be more integrated in firm steering and culture across the industry, [see ProSight’s Risk Appetite Workbook](#).

Leveraging technology – Now powered by AI

Risk management and ERM have always been enabled by new technology, from the modest spreadsheet to more advanced governance, risk, and compliance tooling. The rise of AI and, in particular, generative AI (Gen AI) has the potential to transform ERM yet again.

ERM’s cartographer mandate to create a single, holistic view of risk is often challenged by the vast amounts of structured and unstructured data dispersed across various business and risk dimensions. Gen AI can be leveraged here to connect and aggregate risk data across these dimensions – with human oversight of results – reducing the time spent in the brute-force manual process of data collection, normalization, and enrichment.

ERM’s navigator mandate can also benefit from introducing AI-driven analytics and predictive modeling to improve the quality of risk insights. Machine learning algorithms can detect subtle, nonlinear relationships and evolving risk factors from historical and alternative data sources. By leveraging such AI approaches, ERM teams can move beyond backward-looking risk assessments to more proactive scenario analysis and issue identification. This better empowers business leaders and risk managers to anticipate disruptions, identify risk hotspots, and prioritize mitigating actions based on probabilistic analysis rather than static reports. The result is more forward-looking, risk-aware, and timely decision-making aligned with business objectives and risk appetite.

“Fast, agile scenario design is a priority for us as a GSIB – we see potential for AI to help with this”

Senior Risk Leader, US G-SIB

While respondents are universally aware of the potential for AI (and in particular Gen AI) to help ERM deliver greater value, progress to date has been limited by a few factors. First, AI models and tools require a significant corpus of good-quality data for training; firms with a fragmented or poorly controlled data environment must first grapple with underlying issues (e.g., data quality, comprehensiveness, representativeness). Second, technology budgeting processes can result in tradeoffs between business-sponsored AI use cases with direct revenue-generating potential versus risk management-led use cases with less directly measurable benefits. Finally, concerns on the regulatory perception of using AI in risk management can make second line teams cautious about leveraging these tools at scale. Despite these headwinds, leaders in the industry are investing in AI capabilities given the potential upside to process efficiency and quality of risk management.

Investing in talent—Swiss-army knife skillsets

Capturing this upside of optimized routines and the use of newer AI capabilities will require an ERM workforce equipped for the role of strategic navigator. ERM needs to be able to traverse the breadth of the firm — understanding both business and risk dynamics — while also having sufficient risk expertise to go deep in individual areas. And both skillsets must be exercised in an influential manner across the organization.

While ERM has historically been at the intersection of risk dimensions and, according to the 2025 ERM Survey, has achieved appropriate stature, the function has often been perceived as being overly focused on risk theory and regulatory compliance. According to survey respondents, to help change this, ERM functions are increasingly hiring team members with financial risk and technical backgrounds, aligned with the evolving ERM mandate to navigate emerging risks and to engage strategically with business leaders and risk segments on technical risk topics. Leading ERM teams blend these backgrounds, along with an understanding of AI applications, to drive collaboration with data scientists and technology teams.

And while technical skills will always be required, as routine aspects of ERM programs are automated with advanced tooling (inclusive of Gen AI) ERM practitioners will need stronger analytical and strategic capabilities. Their roles will focus less on manufacturing risk insights and more on interpreting, challenging, and, importantly, translating these insights into digestible narratives and actionable decisions. Next-generation ERM team members will need to relate to business and risk segment leaders, tapping into stakeholder needs. Their approach must be grounded in “why this matters to our strategy” and “how this improves the experience” so that leaders see ERM as a trusted partner in driving enterprise-level decision making.

Concluding Remarks

As this article outlines, ERM functions must evolve to meet the realities of the current environment—one distinguished by dynamic emerging risks along with increasing expectations for efficiency and productivity. The time for studiously capturing a world of stable, known risks is in the past. Today's risk landscape and competitive ecosystem are defined by complexity, connectedness, competition, and constraints. Success in this environment demands holistic, timely, and prospective risk insights that can be acted on decisively and safely across the firm. This evolution will allow ERM to better support CRO priorities for 2026, as captured in the [2026 ProSight CRO Outlook Survey](#).

In light of this, ERM leaders at a cross-section of firms are evolving from their historical role as a passive aggregator of the risk profile to being more active participants in shaping that risk profile alongside business leaders and other risk segments. These leaders are doing three things that will enable them to meet the moment with clarity and for impact:

- Revising their core ERM programs around greater risk stratification and a sharper focus on emerging risks;
- Exploring applications for AI, particularly Gen AI, that can streamline manual processes and free up their teams' time to focus on higher-value activities; and
- Actively examining their team's skillsets to identify where new or more advanced skills are needed for ERM to be effective.

In turn, they are redefining the role of the ERM function—not just at their firms, but for the industry at large.

Disclaimer: The views expressed by the authors of this article may not necessarily reflect the views of their respective employers.



ProSightFA.org

RMA & BAI:
Together we're ProSight