

# Risk-based approach in CCAR Model Risk Management

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FRB Modeling Symposium

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Together we'll go far



# Risk-based approach in CCAR process

## Model tiering

- Materiality and complexity
- Expectation modeling approach
  - Data, granularity, framework
- Governance rigor and frequency
- Model validation rigor
  - Depth of independent testing



## Model benchmark

- Materiality: Model tier
- Output uncertainty: Model risk severity



## Model risk severity

- Validation finding
- Model limitation
- Performance monitoring
- Expectation of resolution/mitigation



## Model use challenge

- Model tier + Risk severity + RNiM (Risk ID)
- Rigor of model limitation challenge
- Model overlay

