Risk-based approach in CCAR Model Risk Management

FRB Modeling Symposium

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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