

Abstract for Better Model Risk Management for tangible business benefits

Submitters: Joint session between Paragon Business Solutions and 4most

Title: Better Model Risk Management for tangible business benefits

Abstract: There has been exponential growth in the volume and sophistication of models used to drive decisions within a bank and whether large or small, banks face numerous challenges in terms of managing model risk. How organisations address these challenges can vary significantly with regulators across the globe identifying this variation as a cause for concern that requires greater regulatory scrutiny and guidance. To set the scene, this session will initially provide an overview of specific MRM regulations that exist across the world, highlighting key components and why these regulations are good for organisations and for consumers.

MRM awareness and regulations are driving better practices across the model lifecycle. This talk will introduce some of the pains and struggles that banks face to implement MRM best practices, and how the adoption and use of software tools and automation can help ease these pains and drive tangible business benefits. We will discuss the importance and challenges of Model Risk quantification and how this relates to resources, reporting and coordination of different teams and stakeholders, and ultimately to the effective management of model portfolios. We will also address the importance of automated workflows, complete and thorough audit trails and centralised systems. Practical examples will be provided across the model lifecycle to illustrate the importance of improved model governance, transparency, efficiency and effectiveness for better short-term and long-term management of models.