Model Risk Governance Services™ provides organizations with a comprehensive product that meets the Office of the Comptroller of the Currency (OCC) regulatory requirements for robust model risk evaluation by an independent, trusted third party.

What is expected of financial institutions for compliance?

**Policies**
All financial institutions that use models in their decisioning processes must ensure that their internal policies and procedures are consistent with the guidance outlined by the OCC regulations.

**Validation requirements**
The OCC requires that financial institutions perform ongoing model validations at least once a year, include an independent review and produce proper model documentation.

**Assessment of model risk**
Banks need to mitigate the potential risks arising from the reliance on models that may be improperly validated or tested.

**Managing model risk**
Model risk can be considerably reduced through rigorous model validation procedures.

New regulatory guidance
The updated Supervisory Guidance on Model Risk Management OCC Bulletin 2011 — 12 published by the Federal Reserve Board and the OCC extends the scope of initial guidelines beyond model validation to ensure sound practices in data and attribute governance, model validation, model development, implementation, use, governance and controls.

A strategic approach

**Business review and audit preparation**
Experian’s business consultants have established regulatory experience and best practices to provide clients with an independent, third-party review of their model risk-management practices and to assist with audit preparation for compliance with OCC bulletins 2000–16 and 2011–12. We conduct an in-depth review of client risk exposures, business activities, and the complexity and extent of model use, including model validation, development, implementation and use in decisioning. The result is a comprehensive gap analysis report and best-practice recommendations designed to meet regulatory compliance.

The gap analysis report will identify discrepancies between current actions and regulatory requirements, such as model documentation and specifications, implementation standards and protocols, consistency of model assumptions with utilizations, and value and usage of monitoring reports. The gap analysis is followed by an action plan, or “blueprint report.” The blueprint report prioritizes actions for bridging gaps for resolution within a certain time frame and with available resources in mind.

**Model risk validation**
Our expert analytical consulting and modeling teams provide strategic direction with knowledge and expertise to offer all required tests to meet model risk governance on several types of models, including credit risk, econometric and pricing models. Our approach to model validation combines Experian's modeling expertise, data and regulatory understanding to provide four key model governance
analytical services for:
- Back-testing
- Benchmarking
- Sensitivity analysis
- Stress testing

Experian’s model governance protocol includes four specific analyses that can be executed on both generic and custom consumer credit risk models.

**Back-testing and benchmarking**
Experian® will conduct multiple tests of your models to validate performance and accuracy. During this analysis, statistical metrics will be produced to assess model performance in relation to previous years’ performance and to an industry benchmark model. According to the OCC Bulletin 2000–16, “At the time a model begins to produce outputs, model developers and validators should compare its results against those of comparable models, market prices, or other benchmarks.” Experian intends to complete this as an integral part of this engagement.

**Sensitivity analysis and stress testing**
Experian will evaluate the impact of changes in inputs and parameter values on the model’s ability to rank order and ensure it falls within expected ranges for model stability given a set of unexpected changes to inputs. The OCC requires that both small changes and more extreme changes to input be tested to verify that the model is robust and stable. Experian will conduct a series of characteristic-level stress tests to the model to determine the sensitivity of the model’s performance to small changes in expected input values, as well as sensitivity to more extreme changes, such as changes in economically based conditions that may cause the model to become unstable or inaccurate.

**Expert consulting and analytics to guide you**
Experian’s business consultants deliver powerful insight, which is used by clients to enhance credit management strategies across their consumer and small-business portfolios and the Customer Life Cycle. Our Global Consulting Practice is a credentialed consultancy dedicated to creating measurable and sustainable value for organizations around the globe in financial services, banking, mortgage, automotive finance, telecommunications and utilities, microfinance, retail credit and debt collections. We specialize in analytics-based decision strategies, data-driven products and services, regulatory compliance and fraud risk management across acquisitions, customer management, collections and overall portfolio management.

Experian’s team of experienced modelers and analytical consultants have a vast background and significant experience in developing and validating custom, generic risk and loss forecasting models.

As one of the leading modeling companies in the world, Experian has a depth of experience in building advanced scoring products and services that is unsurpassed in today’s marketplace. The combined resources of our organization are unmatched with respect to the depth and range of modeling experience. Experian has delivered more than 1,500 custom scorecards worldwide, and our list of clients includes most of the top card issuers in the United States.

Our team leverages Experian’s vast data assets to design and develop scoring products and services using advanced analytical techniques that provide for better decisioning and efficiencies across all stages of the Customer Life Cycle. Whether the goal is finding new customers, offering them the most appropriate terms or managing the relationship throughout the full Customer Life Cycle, Experian develops models that allow our clients to understand their customers and proactively manage the decisioning process.

To find out more about Model Risk Governance Services, contact your local Experian sales representative or call 1 888 414 1120.