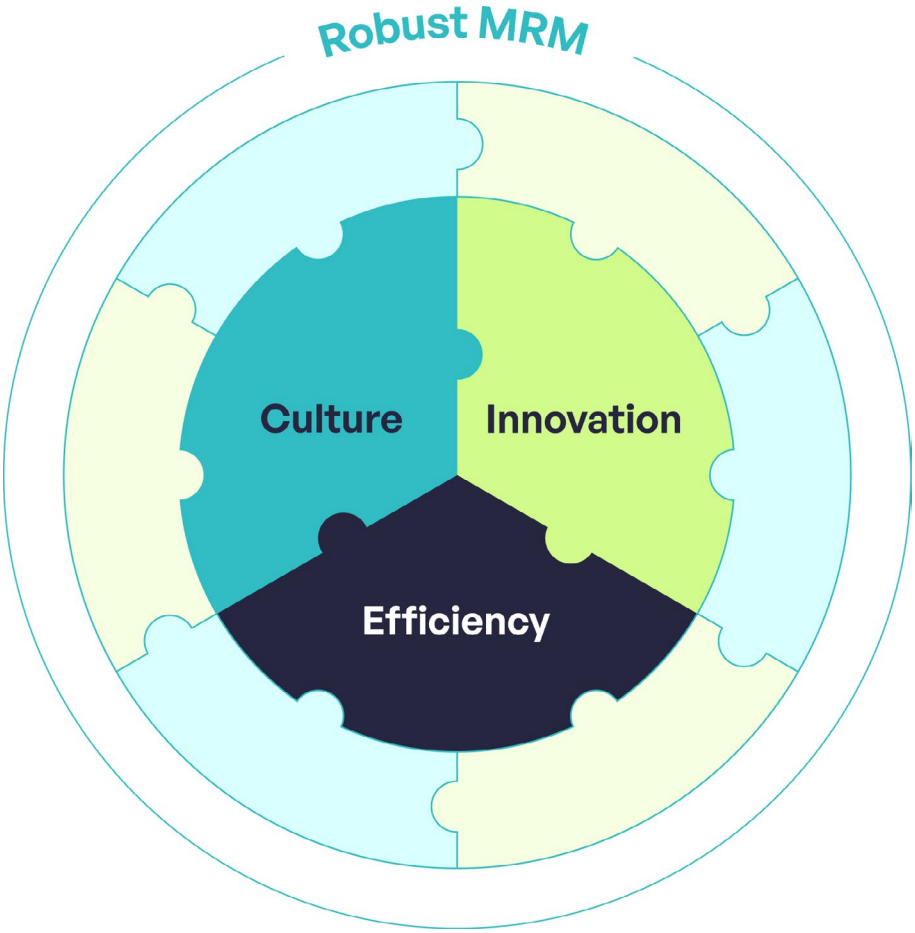
4most
ANALYTICS CONSULTING

Best practice guidance for Model Risk Management (MRM)

Integrate successful MRM practices and unlock hidden business value as we untangle the complexities of model risk.



It's time to prioritise Model Risk Management

The reliance on models in modern banking means that model risk is now considered a risk in its own right. The FED was the first to publish regulation in this particular risk type back in 2011. More recently, we have seen communication of guidance through the Bermudian Monetary Authority Consultation, the UK's Prudential Regulation Authority (PRA) Supervisory Statement 1/23, and the Central Bank of UAE's Model Management Standards (MMS) and Model Management Guidance (MMG).

As a result, there is greater focus than ever before on MRM. Financial services organisations and regulators are starting to recognise the increasing reliance on models, as well as the subsequent risk to both organisations and customers of the models not performing as intended. MRM may not be new, but it can no longer be under-prioritised.

This guide provides some crucial background and suggests ways in which enhanced MRM can provide significant benefits to organisations of all sizes. We start with a definition of model risk and its management (designed to encompass global regulation), before untangling the complexities that comprise all the potential sources of model risk. We also use our extensive experience to highlight what robust and successful MRM looks like, through the combination of culture, controlled innovation and efficiency.

This best practice guidance will help everyone across your organisation understand how to contribute to the successful prioritisation of MRM.

John Bridgman
Associate Partner

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Aligning your team with the right terms

Before we can explore the complexities of model risk and all of its potential sources, it's important to understand the following definitions. Only when everyone in your organisation is aligned can you begin to create and integrate the appropriate MRM practices.

At its simplest...

A model takes an input and transforms it into an uncertain output, which is then used to make decisions across the organisation. Models can range from simply being expert judgment-based, to deterministic algorithms, through to more complicated mathematical theories and techniques. The design, complexity and materiality of the model define the level of risk — which, if not robustly managed, could have severe regulatory and cost implications.

Meanwhile, Model Risk Management...

Is the process of identifying and controlling deficiencies in the modelling process which could result in sub-optimal outcomes. For example, GenAI is a hot topic within the global industry, providing clear efficiency gains, but it's not immune from Model Risk Management. It will require identification and control in the same way as a traditional Probability of Default (PD) model.

But remember...

Models do not exist in isolation; they are tools to be understood and used by the business. An appreciation of the circumstances under which a model will fail to operate effectively, and how people can contribute positively or negatively to the performance of these models, is at the heart of good MRM. This means that the sources of model risk are not purely attributable to the underlying mathematics. Model inventories, external factors and usage are all sources of model risk.

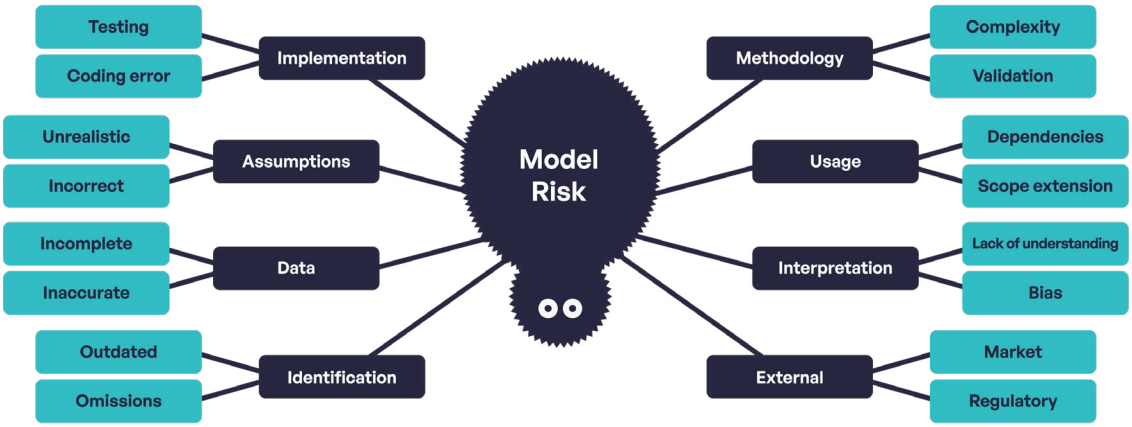
"The sources of model risk are not purely attributable to the underlying mathematics. Model inventories, external factors and usage are all sources of model risk."

Understanding and untangling the complex web

There are many potential sources of model risk, all of them interconnected and each of them with the potential to cause significant financial and reputational damage. But that doesn't mean the risks aren't manageable.

Let's look at each source in turn, and the main things you need to know...

Selected sources of model risk



Identification

An obvious but important source of model risk is **the failure to ensure that there is a clear understanding of what is considered a model** and that all models have been identified and managed appropriately. The definition of a model should be clear and example-based to ensure consistent interpretation and application. It's also important to maintain a timely, controlled and accurate inventory of all models.

Data

Data is both an asset and a risk. A firm with high quality data from a wide range of sources can make better decisions than its competitors — whether that's accepting better customers, targeting marketing more effectively, or planning for future market events. At the same time, **data which is inaccurate, unrepresentative or misunderstood can lead to poor decisions.** An effective MRM strategy must seek to control the risks associated with data, while empowering the firm to use its data to make effective decisions.

Data originates from many sources across the organisation and will be stored, transformed and used in numerous ways throughout the customer and product lifecycle. How this input data can be impacted by changes in operational processes (for example) needs to be understood, as well as resultant changes in model output data. Remember, a model does not exist in isolation.

Assumptions

Assumptions are fundamental to models and are formed from a collaboration of the firm's data, statistics and stakeholder business expertise. Models and assumptions go hand in hand, and need to be fully understood to ensure that the model continues to best represent reality. Assumptions may be made in the absence or weakness of data, or for other reasons. **Poor assumptions may stem from data issues, lack of appropriate expertise, misunderstanding the context of historic data, or assumptions becoming outdated.** The extent to which assumptions will change, and whether they can be validated or require change over time, is important to understand.

Methodology

The methodology is the mathematical/logical structure that is applied to the data and assumptions to generate a decision, and each approach has its own pros and cons. It can take many forms, such as a set of rules, a regression, a neural network, or even a simple average. **Matching the approach to the availability of suitable data and the requirements of the use-case is essential** for maximising the value that can be extracted from the data and experts, and for controlling the model risks.

Modelling approaches can have implications for the use of the model. It's important that a model is explainable to all levels of the organisation, to ensure stakeholders have an appropriate understanding and ability to challenge outputs. Users should be empowered through appropriate training.

Implementation

Most models will be deployed into systems or processes and **how they are implemented, tested and subsequently governed is a key contributor to model risk.** Implementation testing is required both before and after a model goes live, with materiality and model type a key contributor to policy. Conducting user acceptance and process verification testing should provide assurance that what has been approved through governance is what has been deployed and continues to be executed. For example, a PD approved as 0.0313% but implemented as 0.0331% could have significant reporting implications.

Interpretation

Misinterpretation of results presents a significant risk for an organisation. The people responsible for the use of the model outputs need to understand how the model functions so that they can correctly interpret the results. Ambiguity of similar but misunderstood outputs can mis-lead. Clarity is important as results are communicated to a broader audience, including people with less experience in modelling. For example, a 12 month and lifetime PD generated for IFRS 9 is not the same as a regulatory IRB PD, and the terms cannot be used and interpreted interchangeably. Sufficient time and effort needs to be dedicated to model risk training, interpretation of results and creating a narrative that is comprehended by stakeholders. Understanding what the model outputs are indicating is important to drive correct decisions and pre-empt future issues.

Usage

It's important that models are used in the way that they are intended. **It can be tempting to use model outputs because they appear predictive, but it may create dependencies which become difficult to manage,** and trends may not hold over time. A full understanding of the appropriate use and management of models is required.

External

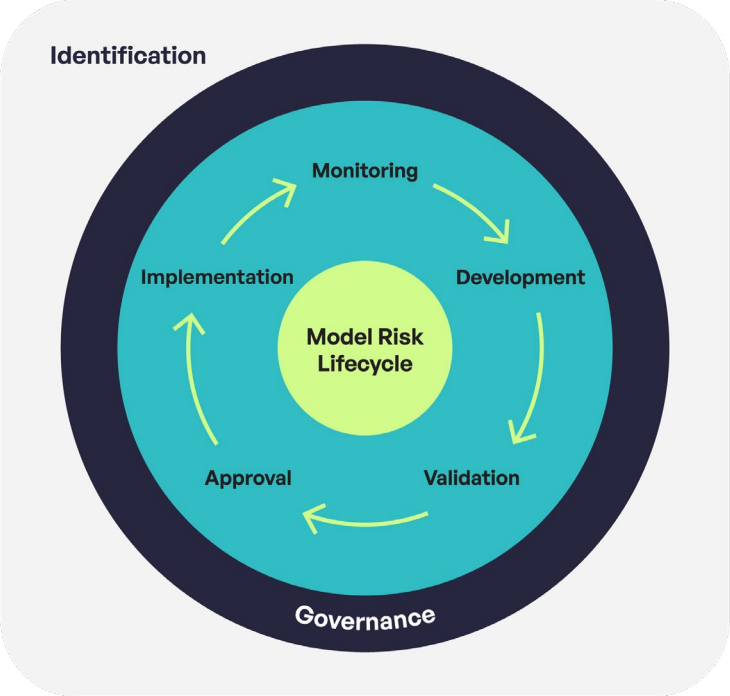
Model risk may be generated by external factors. **Regulatory requirements, market events or economic factors may all cause changes that result in models working less effectively.** Regulatory changes can render models obsolete or non-compliant, while economic or market events can change customer behaviour or population dynamics, resulting in a change in the performance of the model. Models don't perform in isolation and, in a changing environment, a model may cease to function as intended.

> "Remember, these aren't the only sources of model risk that you need to be aware of. The list is long and will continue to grow as your organisation develops."

Key steps regulators expect your team to take

From a generalised perspective, the model risk lifecycle follows a universal process. While local terminology might differ, with varying steps of granularity, the different regulators are all ultimately seeking to identify, assess, manage and control the sources of model risk.

Breaking down the lifecycle



Identification

One of the most important elements of MRM is ensuring that all models have been identified and subjected to assessment and control. **If a model is not identified, risk cannot be managed appropriately.** This could be because redevelopments have not been identified as a new model, or a business unit is not aware that a long-standing process is actually a model. Organisations should demonstrate a clear understanding and articulation of what is considered a model and have a process for risk-based tiering of these models to support appropriate management.

Governance

Strong governance and oversight of models, alongside the promotion of a positive MRM culture and a clear model risk appetite, are essential. Generating a positive MRM culture comes from the top, and expectations established through the governance process can often set the tone for the whole model risk lifecycle. **Priorities, in terms of deliverables and behaviours, can have a big impact on the success of MRM.**

Development

Robust standards are required for model development, documentation, design, implementation and performance measurement. It's also important to regularly test and review assumptions, outcomes and, where required, remediation of model weaknesses.

Validation

This involves ongoing, independent and effective challenges to the model lifecycle. Any identified deficiencies should be subjected to appropriate processes to ensure that remediation or redevelopment takes place in a timely manner.

Approval

To ensure risks are understood and managed, it's important that **the individuals or committees responsible for the approval of models have an appropriate level of understanding of how the models will be used,** as well as their assumptions and limitations.

Implementation

To guard against the risks that appear through implementation, **the process of deployment should be subject to comprehensive controls.** The accuracy of the deployment and the associated testing should be robust to ensure that what has been approved is implemented and cannot be subject to unauthorised changes. Challenges can exist if care has not been taken at the development stage to understand the systems and environment into which the models will be deployed. Deployment should be subject to a well-governed programme, regardless of whether the model is implemented in Excel or a bespoke IT system solution. Consideration is also required for user procedures; if they're needed, then clear and sufficient training should be conducted to ensure the models are being used as intended.

Monitoring

Monitoring model performance includes data quality monitoring, identifying deterioration and taking remedial action. Identifying the need for new models and keeping track of post-model adjustments and their ongoing applicability is also paramount.

> "Each step in the model risk lifecycle is essential. Regulators want to see clear evidence that you've adequately identified, assessed, managed and controlled the sources of model risk."

The “how” is just as important as the “what”

At 4most, we’ve identified three core elements that we believe are integral to achieving best practice and long-term sustainable success within MRM. These elements are...

- **Culture**
- **Controlled innovation**
- **Efficiency**

We believe these elements are the secret sauce which elevates MRM. When combined, they have the potential to make MRM a transformational element within an organisation, delivering both valuable insights and better customer outcomes.

We’ll discuss each of these elements in more detail in the following pages...

Why prioritise MRM?

When MRM isn’t prioritised, it has the potential to cause customer detriment or regulatory censure. However, with every risk comes opportunity, and it’s important to consider how better MRM can improve an organisation and not simply act as additional overheads and bureaucracy.

Modern organisations utilise models all the way from strategic planning to customer decisioning. Effective management of models can therefore provide significant commercial advantages. Those organisations which fail to understand and manage the risk could end up making sub-optimal decisions at a customer, tactical or strategic level.

> “The fundamentals of Model Risk Management are crucial, but an equally important element is exactly **how** the Model Risk Management is performed.”

Core element #1

Establishing a positive model risk culture

An organisation's culture is often nebulous and hard to define. Nevertheless, it's important that an awareness of model risk shapes the way employees interact, make decisions and approach their work. Doing MRM "right" means making it part of your organisation's every behaviour.

Bridging the cultural gap

Failure to engage with models can sometimes be associated with a simple fear. Why should we expect business leaders to know the finer details of a model, when their skills and experience may lie in more valuable areas of running a successful business? Demystifying models and explaining their purpose, features, and weaknesses in an appropriate way is where those managing models can have the biggest impact.

To achieve this, it's important to bridge the gaps between technical modellers and areas of the business that have had less exposure to models. Ensuring everyone understands the role models play within the business, and engages with the subject of model risk, is key to driving a positive MRM culture within a bank.

Don't fear MRM

Often fear can cause individuals to avoid engaging with MRM. No one likes to appear foolish, but a lack of familiarity with the mathematics behind the development of a model does not preclude other areas of the business engaging with (and adding value to) the models being built and operated. This doesn't require everyone to be a modeller, but it does require a degree of humility on all sides... modellers need to engage appropriately with the business, and the wider business needs to understand it plays an essential role in the development and management of models.

The six building blocks of a positive model risk management culture

Training and education

Educate the board, key stakeholders and model users in model risk and the implications if things go wrong. Remember, culture comes from the top and influencing the board is key. The benefits of collaboration across departments is often hard to measure but investment in knowledge transfer will provide significant benefits. Communicating in terms that stakeholders can understand and demystifying elements of modelling is also important to encourage valuable engagement. For example, teams should appreciate that data generated across the business feeds into models, and that every area has a part to play in ensuring data is accurate.

Accessible frameworks and policies

Use relatable examples of what models and use cases look like to maximise understanding and buy-in. Encourage the consideration of communication strategies and training programmes to make model risk a focus for less technical stakeholders.

Risk ownership

Ensure there is clarity in terms of ownership of the risk. Rather than just allowing management to 'risk accept' model risks, reiterate the mandate to consider everything within the bounds of regulation and remove any models that aren't fit for purpose, or that present an unacceptable risk. This encourages the business to address model issues in a timely manner.

Engagement

Increase the level of interaction between modellers and the business. Ask yourself, do the model builders really understand the problems that the business faces? Interaction shouldn't be restricted to formal governance forums. Spending time developing relationships will create better models, and identifying key contributors to a positive model risk environment allows you to highlight role model behaviours. Developing a network of advocates across the business can be a big help when it comes to the creation of a positive MRM culture.

Embedding

Changing behaviours is hard, and it takes time. Reiterating and reinforcing that there is a new norm will be required, which means **highlighting successes, showing benefits and consistently spreading the message.** Incentivise engagement and support and publicise those displaying the right behaviours. We have seen that, for this to be successful, it needs to be driven from the board with a comprehensive training programme spanning across the organisation.

Monitoring

Regular monitoring will provide assurance that the culture is being effectively embedded. This can be achieved through model risk reporting and (for example) the prompt and timely closure of validation findings. Reviews of positive cultural indicators should form part of the governance process.

A positive model risk culture in practice

Simple cultural changes can be incredibly effective. For example, when re-engineering a bank's Model Risk Management framework and organisational design, it's important to consider the people in question and understand how engagement will occur between modelling and the wider organisation. In this instance, even a small change like ensuring appropriate job descriptions reflect the skills required in key roles can be an effective method for clarifying and establishing risk ownership.

Core element #2

Leveraging controlled innovation

Nothing stands still and the rate of change in technology is increasing. From a model risk perspective, these changes boil down to three things in particular...

- **Processing power and availability of varied data**
- **AI use cases vastly increasing efficiencies**
- **Changing regulation**

These examples will all drive changes in modelling and, as such, they all need to be considered within the remit of controlled innovation.

Why controlled innovation matters

Innovation is important in MRM as modelling techniques and capabilities evolve. It's crucial to be able to accommodate enhancements whilst still managing the associated risk. Creating frameworks that don't just allow but actively encourage innovation, while also balancing the associated risks and opportunities, will ensure that modelling capabilities continue to develop and can embrace novel approaches.

Risks are hard to retrospectively control and, therefore, control environments need to be forward-looking. Policies that are too restrictive will preclude exploring alternative approaches. Internal people, processes and system capabilities will need to evolve with the rapidly changing environments.

The five main advantages of controlled innovation

#1 Enhanced decision making

Innovations in modelling can allow firms to make better decisions, react more quickly to emerging trends, navigate downturns more effectively, and generally enhance their competitiveness. Conversely, a failure to innovate creates a commercial risk. Sub-optimal decisioning can impact strategic decisions, resulting in wasted investment. For example, a customer acquisition score may fail to provide sufficient differentiation, leading to reduced growth or increased credit losses. The introduction of new techniques and new data may provide significant advantages over existing processes.

#2 Maintaining trust

Trust is hard won and easily lost. **It's important to maintain a level of trust with stakeholders that the organisation has the capability to manage and support innovation.** A control framework that provides a safe space for innovation is required.

#3 Ensuring compliance

Within a regulatory environment, **it's important to ensure that the models continue to adhere to required regulation.** For example, there are some data elements that are not compliant or acceptable to include in models (such as protected characteristics). An appropriate control environment ensures approaches and data remain compliant with relevant regulations.

#4 Focused efforts

Controlling innovation focuses efforts on specific goals and solutions. An environment that does not control and support prioritisation of innovation projects carries the risk of wasting effort and innovation for the sake of innovation. Focusing on solving material problems, and knowing the benefits that will crystallise in the longer term, ensures that projects are centralised and minimises duplication or cross effort.

#5 Transparency

It's important that there is absolute clarity regarding modelling approaches. Ensure you know which approaches are currently supported by the policy, and which ones are currently precluded from use. Within this, best practice guidance should identify the circumstances which may favour one approach over another, and frameworks should be in place to support informed and justified decision making — ultimately allowing for innovative approaches to be adopted. Some concerns exist regarding more complex models that incorporate aspects of Machine Learning and Generative AI, which may result in a lack of transparency and explainability. This can often be compounded when purchasing vendor solutions, where internal capability does not exist to solve a problem. There are solutions to manage this risk, providing you're confident that the model is understood.

Controlled innovation in practice

The results of complex ML models may be difficult to explain at first, but there are numerous tools out there which can provide transparent reasoning for score assignment at the granular observation, account or application level. Combining innovations with effective tools is essential to maintain confidence in the understanding of any decisions being made.

Innovation of controls

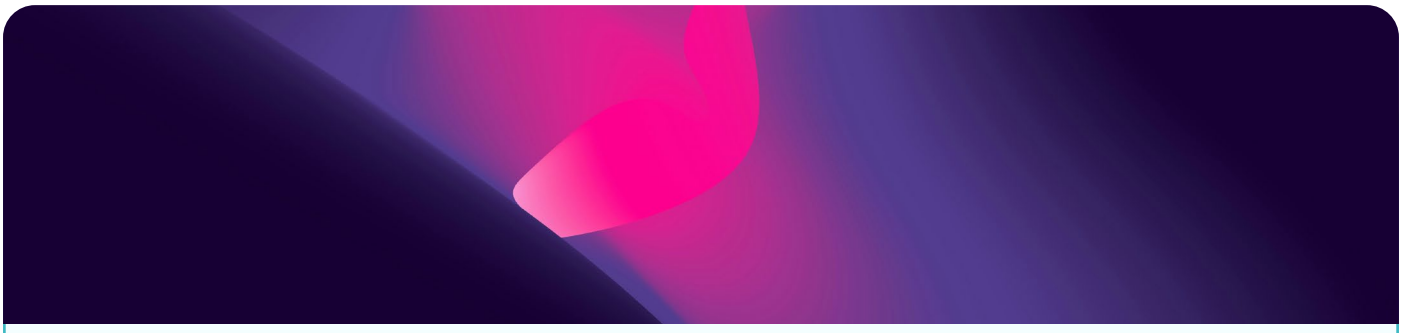
Innovation can come in many forms and will mean different things to different organisations depending on their current level of sophistication. For some organisations, it may be as simple as adopting a different technology to manage the model inventory (for example, moving from Excel to a specialist inventory tool that allows for more efficient management and direct reporting into governance). This additional functionality is likely to facilitate more effective tracking and management of model findings, therefore reducing the risk of actions becoming overdue.

Introducing challenger models

Controls can come through the understanding of alternative outputs and benchmarks. Introducing challenger models will provide important reference points for existing models based on comparable internal data. Consideration needs to be given to how and where MRM principles are proportionately applied.

Generative AI (GenAI) is one source of innovation which organisations are currently grappling with. Controls are required, and these will often be innovative in their own right. Understanding the capabilities, limitations and risks of GenAI models is important when considering how policies can be shaped to adequately monitor and control model risk. GenAI can provide significant business improvements within the appropriate guard rails.

Establishing an environment that encourages both controlled innovation and innovation of controls will result in more cost-effective MRM.



ML monitoring in practice

Recently, we've seen a number of our clients introduce point-and-click tools for the monitoring and interpretability of machine learning models. Not only do these tools provide dynamic insights into variable importance across key segments and time periods, they also break down how variables influence individual decisions, offering a high level of transparency.

By demystifying the complexity of machine learning and making it akin to traditional algorithms (in terms of explainability), you can confidently integrate ML models into your decisioning processes. This means stakeholders can also monitor model behaviour with clarity and precision, ensuring decisions are explainable and aligned with governance expectations — and ultimately trusting what has been implemented.

Core element #3

Improving efficiency

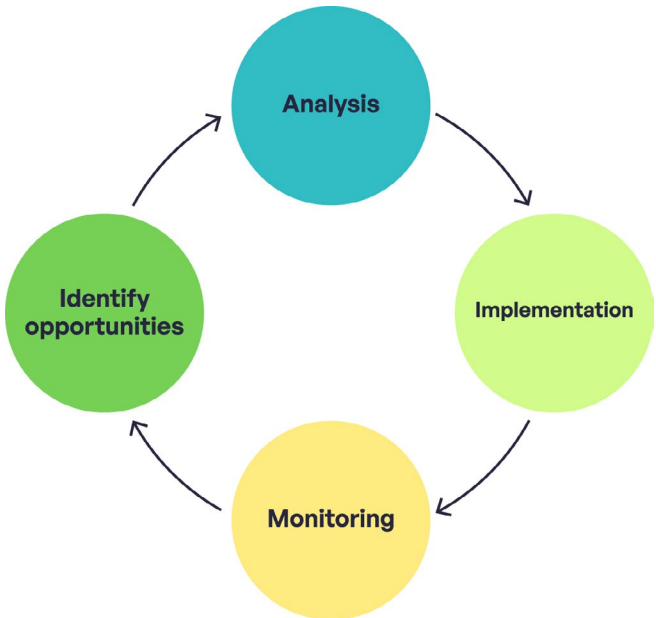
Every function within an organisation should be looking to be as efficient as possible, with the end game in mind. Management of model risk is not immune from these pressures. There should be a continual emphasis on achieving greater value with minimum cost. Focus on creating an efficient MRM environment will ensure that resource can be used in the areas that drive the most value. There is a clear linkage between efficiency and the creation of a controlled innovation environment. However, driving efficiency need not be linked to complex innovation. Finding opportunities for efficiencies should ensure that MRM achieves significant and increasing returns on any investment made in this area.

More models bring more challenges

Efficiency requires a degree of introspection, and a challenger's mind set within the MRM environment. With more models in scope, and the required standards of Model Risk Management increasing too, there is a risk that costs will also increase. If not managed effectively, this might lead to MRM being seen as a drag or even a barrier to the commercial success of the business.

An efficient MRM function will ensure that material model issues are identified and resolved as quickly as possible, improving the accuracy and reliability of the models. A focus on skilled and experienced resource working with the right tools is one way to improve the efficacy of the MRM function, while streamlining governance can also ensure that stakeholder time and discussions are effective in addressing the material issues that make a difference to the business. An efficient process should reflect prioritisation, ensuring that regulatory compliance is maintained. Strategic assessment of emerging risks will reduce inefficient peaks and troughs in resource requirements.

The process improvement cycle



There are many process improvement models. But what we are particularly interested in is how efficiencies are achieved within the MRM environment. From this perspective, the process improvement cycle includes...

- Identifying opportunities to improve
- Analysis to identify the best solution
- Implementation of the new process
- Monitoring the result

> "Maintaining key performance indicators on MRM might not have been a focus traditionally, but consideration of what works well and what doesn't can drive significant improvements in efficiency and engagement."

Efficient MRM in practice

Introducing a more comprehensive model management framework is one way of enhancing standards and facilitating the appropriate prioritisation of activity on the most material models.

4most worked with a lender in the UAE to better understand the usage and impact of their models. Through engagement of stakeholders across all levels, a framework was created that streamlined model management and strengthened compliance processes, resulting in real and persisting benefits for the organisation.

Tools, planning and outsourcing

Tools

Investing in controlled innovation is one of the clearest ways that you can improve MRM efficiency, because it allows you to benefit from improved tools and technologies. As Abraham Lincoln is quoted, “give me six hours to chop down a tree and I’ll spend the first four sharpening the axe.”

There are many different ways to innovate within MRM — but it doesn’t always have to be complex. A simple change, like incorporating a bespoke model inventory tool rather than using Excel, will save time and bring improved clarity. These tools act as a registry for all your models, giving you an accurate, real-time overview of everything you need to know about your models at a glance. Model inventory tools are also completely traceable and auditable — a key benefit when it comes to model risk board reporting.

These may be marginal gains, but they can have a significant impact as the number of models in an organisation continues to grow. Working with the right tools will increase engagement.

Integrated planning

Effective planning of resources and deliverables can be the defining factor in successful MRM. Understanding the strategic goals of the organisation allows for prioritisation between projects and refinement of requirements, while engaging effectively with the business will ensure that priorities are fully understood. A more proactive mindset will support engagement on how model management workloads can be managed to meet the needs of the business.

Better planning also leads to improved first time quality. As ever, understanding the aim of the model and all the associated requirements will make model development and validation more efficient and effective. Different regulators have individual interpretations of the rules, and different views of what successful MRM should entail; if you aren’t aware of these expectations, then your models will be more susceptible to compliance gaps at any point within the model risk lifecycle.

Increased integration with the wider business promotes a positive MRM culture, where everyone in the organisation is aware of the end-to-end model risk lifecycle. Proactive engagement will reduce the risk of unrealistic submission dates being agreed, helping to manage overall pressure on the function. Undue pressure leads to mistakes, which leads to rework and remediations and a loss of efficiency.

“Increased integration with the wider business promotes a positive MRM culture, where everyone in the organisation is aware of the end-to-end model risk lifecycle.”

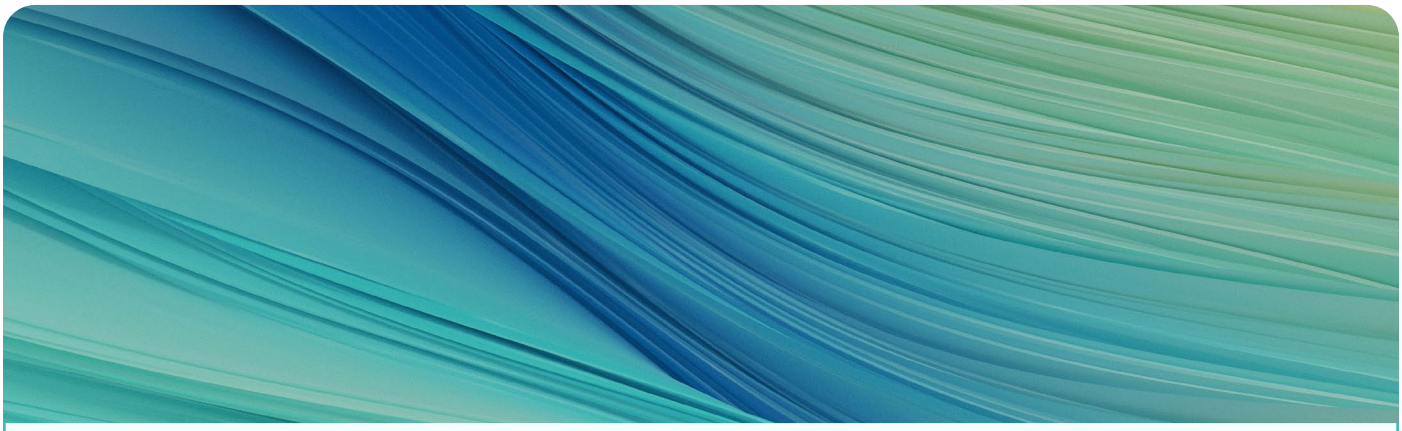
Outsourcing and surge demand

Outsourcing is a prominent trend within MRM, and in recent months demand for validation resource has been increasing. Looking externally for expertise to service surge demand is often more cost-effective because it allows you to use resource when needed, rather than bringing those individuals into your business full-time. It also means you can flex resource levels in response to changing validation demand.

Validation is a crucial aspect of MRM, requiring validators who possess a combination of curiosity, critical thinking and strong interpersonal skills. However, sourcing and retaining this talent can be challenging, especially in an increasingly competitive market. Partnering with a specialist consultancy to service this surge demand gives you access to this specialist skillset as and when you need it.

Another key advantage of outsourcing to a specialist consultancy is the deep understanding of industry standards they bring. True specialists not only perform validations but also help refine standards and frameworks, elevating them to best in class. That means you can deliver these essential services more effectively and cost-efficiently, adding strategic value beyond the immediate requirements.

It's also worth pointing out that outsourcing is particularly effective in meeting surge demand in newer areas where validations have only just begun to be mandated by regulation, such as compliance and fraud. That way, you can complete important reviews with experts who, given demand, might not be required on a full-time basis.



Outsourced validation in practice

The key to ensuring success when outsourcing any validation activity is to collaborate closely from the start. That way, these external validators can adapt their frameworks to suit the specific requirements of your project. The result will be a structured and traceable validation process — where each finding is meticulously explained and justified — which validates your models in a way that you can trust. Seasoned validation experts know how important it is to understand the nuances of your model interactions, and it should always be their first step.

A much-needed catalyst

The publication of global regulation, including SR11-7, SS1/23 and MMS & MMG, should not only set out the principles for MRM. It should also act as a catalyst to model owners and managers to consider how they manage their models more effectively, ensuring that the tools used across the business are appropriate and continue to support the commercial aims of the organisation.

As we have explored in this guide, there are numerous benefits of combining culture, controlled innovation and efficiencies to create a robust and successful MRM function...

Benefit #1: Adaptability

A lean and high functioning MRM unit can adapt and accommodate unforeseen circumstances. It is more likely to be able to increase scale effectively and deal with increased scope if required. Automation of reports and processing allows for increased capacity without significant resource incrementation.

Benefit #2: Employee engagement

Inefficient processes that don't add value can negatively impact employee engagement, with highly intelligent and educated employees required to perform manual repetitive tasks. Streamlined processes allow these employees to analyse, interpret, innovate and add value. Validators and modellers can perform tasks that make full use of their skills, increasing satisfaction and engagement.

Benefit #3: Enhanced quality

Eliminating inefficiencies will allow your skilled resource to focus on the critical elements of Model Risk Management. Reports and commentary that have been reviewed and fine-tuned will increase stakeholder engagement, while getting to the heart of the critical issues will have knock-on benefits in terms of efficient governance forums.

Benefit #4: Model improvement

Allowing time to address model issues will result in better models, improving capital allocation or customer decisions. With improved tools, the business will make better decisions.

Benefit #5: Proactivity

A successful MRM function will be supported by an engaged business. Emerging risks will be identified and controlled, with problems proactively addressed rather than retrospectively chased.

Benefit #6: Regulatory compliance

More awareness of model risk leads to less risk when investing in innovation, which in turn offers new opportunities to improve efficiency. Regulatory compliance can be attained while costs are controlled, ultimately making it easier to highlight the benefits of MRM to the board.

> "Some tools allow you to produce governance forum-ready reports without manual manipulation, meaning you can focus on investigating, interpreting and communicating the observed trends instead. This improves the quality of the reporting provided to governance forums, generating real insights."

Need specialist support with any aspects of MRM in your organisation?

Get in touch today.

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