



# **Model Risk Management and Model Validation Training Course: Inventory, Tiering and Governance**



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### **Introduction:**

Model risk management and model validation is the subject of this 5-day course for model risk, validation, risk management, internal audit and model owner staff, who produce a Model Risk Management Framework and an Independent Validation Report for a case model. Many banks, insurers and finance companies run models with incomplete inventories, uneven tiering and open validation findings while those models drive pricing, provisioning and capital decisions. Nominees already build, use, validate or audit quantitative models, and teaching is by case study on model documentation and test results. CoreConcept Training Center delivers this model risk management course.

### **Course Objectives:**

- Define what counts as a model, build a tiered model inventory and assign ownership across each stage of the model lifecycle
- Design model risk governance across the three lines, including policy, committee roles and model development and documentation standards
- Perform independent validation covering conceptual soundness, data quality, outcomes analysis, benchmarking, back-testing and sensitivity testing
- Scope validation work for credit, market, ALM, expected credit loss, pricing, vendor and end-user computing models
- Quantify model risk through reserves, overlays and appetite limits, and rate findings, remediation actions and model use restrictions
- Produce a model risk management framework and an independent validation report with monitoring triggers and board reporting

### **Target Audience:**

- Model risk management staff responsible for policy, inventory and tiering across the institution
  - Model validation staff who independently test model design, input data and performance
  - Risk management staff who rely on credit, market, liquidity and insurance model outputs for decisions
  - Internal audit staff who assess the design and effectiveness of the model risk framework
  - Model owners and developers accountable for model documentation, monitoring and remediation
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## **Course Outline:**

### **Day 1: Model Risk Foundations, Model Definition and Model Inventory**

- Supervisory Model Definition Applied to Quantitative and Qualitative Tools
- Model Risk Sources From Specification, Data and Implementation Errors
- Model Lifecycle Stages From Development to Retirement and Decommissioning
- Model Inventory Data Fields, Ownership Records and Completeness Checks
- Model Tiering Matrix Using Materiality, Complexity and Reliance Criteria

### **Day 2: Model Risk Governance, Three Lines and Development Standards**

- Three Lines Model for Model Owners, Validators and Internal Audit
- Model Risk Policy, Standards and Committee Terms of Reference
- Model Development Standards for Theory, Assumptions and Data Selection
- Model Documentation Template Enabling Review by Unfamiliar Parties
- Vendor Model and End-User Computing Tool Control Requirements

### **Day 3: Independent Validation Techniques and Evidence**

- Conceptual Soundness Review of Model Design and Key Assumptions
- Data Quality and Input Lineage Testing for Development Samples
- Outcomes Analysis and Back-Testing With Traffic-Light Exception Zones
- Benchmarking Against Challenger and Alternative Model Specifications
- Sensitivity Analysis and Stress Testing of Model Parameters

### **Day 4: Validating Model Families, Quantifying Model Risk and Remediation**

- Validation Focus Areas for Credit, Market and ALM Models
- IFRS 9 Expected Credit Loss and Pricing Model Validation Overview
- Machine Learning Model Explainability and Stability Checks for Validators
- Model Reserves, Overlays and Model Risk Appetite Limits
- Validation Findings Rating, Remediation Plans and Model Use Restrictions

### **Day 5: Case Study on a Model Risk Framework and Validation Report**

- Case Model Documentation Pack and Inventory Tiering Decision
  - Validation Test Plan Execution on the Case Model
  - Ongoing Monitoring Thresholds and Annual Review Cycle Design
  - Board Model Risk Report and Aggregate Exposure Dashboard
  - Model Risk Management Framework and Validation Report Completion
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## **Skills You Will Gain:**

- Model Inventory Management
- Model Tiering
- Conceptual Soundness Review
- Outcomes Analysis
- Model Benchmarking
- Model Risk Quantification
- Validation Findings Management
- Model Risk Reporting

## **Why Attend This Course:**

- Deliver a Model Risk Management Framework and an Independent Validation Report for a case model to the model risk committee and the chief risk officer
- Decide which models need full validation, which need a lighter review and when a model should carry a use restriction or an overlay
- Avoid losses, provisioning errors and supervisory findings caused by unvalidated vendor tools, spreadsheets and overdue remediation
- Share the tiering matrix, validation test plan and findings rating scale with model owners, validators and auditors

## **Conclusion:**

Back at work, the participant hands the Model Risk Management Framework and the Independent Validation Report to the model risk committee and the chief risk officer, who use them to approve the inventory, the tier of each model and the continued use of the case model with or without restrictions. Model owners can apply the documentation template and monitoring thresholds to their own models, and internal audit can test the framework against them. After the first annual review cycle, the unit should check inventory completeness, overdue findings, overlay levels and back-testing exceptions against the framework.

## **Frequently Asked Questions FAQ:**

### **What should participants know before a model risk management and model validation course?**

Participants should already build, use, validate or audit quantitative models and be comfortable with basic statistics such as regression, error rates and confidence intervals. Bringing an anonymised model document, validation report or inventory extract helps them apply the case work to their own institution.

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## **How does model risk management and model validation differ from an AI risk course or a credit scorecard course?**

It covers the governance and validation of every model family a financial institution runs, from credit and market models to spreadsheets and vendor tools. AI-specific assurance and scorecard building are taught in neighbouring courses and appear here only where validators need them.

## **Why does model tiering matter in model risk management and model validation?**

Tiering sets how deeply and how often each model is validated, monitored and reported. Without it, validation teams spread effort evenly, high-impact models wait in the queue and low-impact tools absorb review time they do not need.

## **What do participants take back from the model risk management and model validation course?**

Participants return with a Model Risk Management Framework and an Independent Validation Report for a case model, covering inventory and tiering, governance roles, validation tests, findings ratings, remediation and use restrictions, monitoring thresholds and the board report.