

Oracle Financial Services Model Risk Management



Financial institutions use models in critical functions including risk quantification, fraud and money laundering detection, performance management and business development. Recent events have highlighted the need for organizations to build a control framework around the use of models. Regulators are also asking institutions to provide detailed information on the models being used and the governance around use of such models. Oracle Financial Services Model Risk Management provides institutions the ability to build a single repository of model information across the organization and improve governance through periodic and structured assessments of risks associated with the use of each model.

KEY FEATURES

- Single repository for information on models used across all categories including risk, finance, capital adequacy, AML and fraud
- Provides a structured framework for periodic risk assessment of models
- Includes capability to create issues and action plans based on risks identified in use of each model
- Pre-configured dashboards that provide on-demand access to model information
- Ability to enhance pre-configured workflows using workflow management

KEY BENEFITS

- Build a common, enterprise-wide environment to manage information on models used across the organization
- Establish a comprehensive, structured framework for periodic risk assessment of models across categories
- Address regulatory requirements with on-demand access to key indicators on model risk through pre-built reports and dashboards
- Mitigate risks arising out of models through a formal mechanism for tracking issues and actions
- Enable an enterprise-wide risk management framework by leveraging other industry-leading applications

Build a Control Framework to Manage Model Risk across the Organization

Oracle Financial Services Model Risk Management helps financial institutions break down informational silos and establish a single repository to store information on all models used across the organization. The application drives organizational efficiency by enabling the standardization of model information management.

With this application, financial institutions can leverage a centralized environment to manage all risks associated with the use of models including risks arising due to data quality, incorrect or inappropriate use, design flaws, incorrect implementation and unauthorized access. The application provides a control framework to obtain a consolidated view of all the models in use and the risks that may arise.

The application facilitates the model development process by providing a structured framework to manage the stages involved in model development with an option to re-review the stages upon reaching model review date.



Figure 1. Models by regulation across categories

RELATED PRODUCTS

The following products are also available from Oracle Financial Services Analytical Applications:

- Oracle Financial Services Modeling Framework
- Oracle Financial Services Operational Risk
- Oracle Financial Services Governance and Compliance Management
- Oracle Financial Services Enterprise Risk Assessment
- Oracle Financial Services Economic Capital Advanced
- Oracle Financial Services Operational Risk Economic Capital
- Oracle Financial Services Basel Regulatory Capital
- Oracle Financial Services Asset Liability Management
- Oracle Financial Services Know Your Customer
- Oracle Financial Services Enterprise Case Management

Establish Improved Governance around Management of Model Risks

Oracle Financial Services Model Risk Management provides a comprehensive, structured and consistent framework for periodic risk assessment of models across categories. The application facilitates in the scheduling of periodic assessments, recording of assessment results and tracking through issues and actions til closure. Improved governance around model risk management provides an assurance to the executive management, the board and the regulators that the organization has addressed model risk concerns.

Model ID	Model Name	Version	Business Line	Category	Criticality	Tier	Validation Type	Validation Rating	Validated Date
81228956	JPD Model for North American Obligors	1.0	Wholesale Banking	Credit Risk	Medium	Tier 2	Back Testing	Medium	10/01/2013 12:45:27 PM
81229239	Statistica Canada Assets Under Administration Booked in Canada (S4) Return	1.0	Wholesale Banking	Credit Risk	High	Tier 2	Ongoing Monitoring	Medium	11/05/2013 09:20:53 AM
81230773	Convertible Bond	5.0	Wholesale Banking	Market Risk	High	Tier 3	Result	Medium	10/01/2013 6:21:06 PM
81232041	Unemployment Index Projection Model	1.0	Wholesale Banking	Market Risk	High	Tier 2	Back Testing	Medium	10/01/2013 11:20:22 AM
81232956	JPD Model for North American Obligors	1.0	Wholesale Banking	Credit Risk	Medium	Tier 2	Back Testing	Medium	10/01/2013 12:45:27 PM
83230773	Convertible Bond	5.0	Wholesale Banking	Market Risk	High	Tier 3	Result	Medium	10/01/2013 6:21:06 PM
83232041	Unemployment Index Projection Model	1.0	Wholesale Banking	Market Risk	High	Tier 2	Back Testing	Medium	10/01/2013 11:20:22 AM
84232956	JPD Model for North American Obligors	1.0	Wholesale Banking	Credit Risk	Medium	Tier 2	Back Testing	Medium	10/01/2013 12:45:27 PM
84230773	Convertible Bond	5.0	Wholesale Banking	Market Risk	High	Tier 3	Result	Medium	10/01/2013 6:21:06 PM
84232041	Unemployment Index Projection Model	1.0	Wholesale Banking	Market Risk	High	Tier 2	Back Testing	Medium	10/01/2013 11:20:22 AM

Figure 2. Model validation heat map

This out-of-the-box application comes with pre-built reports and dashboards to fulfill the information needs of senior management and regulatory requirements with on-demand access to key indicators on model risk.

Leverage a Unified, Transparent & Flexible Analytical Platform

Oracle Financial Services Model Risk Management is part of the Oracle Financial Services Analytical Applications (OFSAA) suite of products. This suite helps financial institutions achieve enterprise-wide risk management by leveraging other industry-leading Oracle Financial Services Analytical Applications, as well as existing third-party application investments.

The OFSAA Infrastructure R Modeling Framework helps organizations address new requirements and ensure consistency across models. It enables a unique scripting environment that allows users to define their own techniques and use their own modeling methodologies, as well as share models across the enterprise. OFSAA helps banks address modeling challenges by providing a flexible yet secure modeling environment to build, host and execute models across risk categories.

The OFSAA suite includes best-of-breed applications for Credit Risk, Capital Adequacy, Operational Risk, Financial Crime, Governance Compliance and Enterprise Risk Assessment; all of which uniquely share a common analytical infrastructure comprising of a unified financial services data model, shared analytical computations and finally, the industry-leading business intelligence platform.

A single, unified data model and infrastructure provides one version of the analytical "truth" to business users throughout the entire enterprise. This enables financial services institutions to confidently manage performance, governance, risk and compliance. Shared data, metadata, computations and business rules enable institutions to meet emerging

business and regulatory requirements with reduced expenses. The unified platform helps financial institutions to leverage existing investments.

About Oracle Financial Services Analytical Applications

Oracle Financial Services Analytical Applications bring financial institutions best-of-breed capabilities to proactively manage financial crime and compliance, promote a risk aware culture, and grant insight into the customer. The applications are built upon a commonly available analytical infrastructure consisting of a unified financial services data model, analytical computations, a Metadata driven “R” modeling platform, and the industry-leading Oracle Business Intelligence platform.





The OFSAA analytical platform is capable of handling structured and unstructured data, persisted on traditional relational or cutting-edge Hadoop stores; it allows financial institutions to manage massive amounts of data and manage the entire lifecycle of data from a single platform. The metadata driven platform makes models and applications agnostic to underlying technologies. The OFSAA application suite helps financial institutions acquire transactional and unstructured information and deliver contextual information at the point of interaction to maximize selling opportunities.



CONTACT US

For more information about Oracle Financial Services Model Risk Management, visit oracle.com/financialservices or call +1.800.633.0738 to speak to an Oracle representative.

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