



Swiss Risk Association

Model Risk Chapter – First Meeting – “What is a Model”?
Zurich, 12th September 2016 – ZKB Zürich

Chaired by Manfred Plank (UBS),
Owen Matthews (Fintegral)

Agenda

- Welcome (Bruno Meyer, Owen Matthews)
- Background and logistics of chapter meetings
- Talk by Manfred Plank (UBS)
- Talk by Philipp Fasnacht (Credit Suisse)
- Open discussion
- Ideas for future meetings
- Refreshments and informal discussion

Background and Logistics

- Background
 - Opportunity for members to have more in depth discussions
 - Smaller group of practitioners
- Logistics
 - Meeting once per quarter (can be adjusted according to demand)
 - Format: two short talks followed by open discussion and then light refreshments
 - Topics to be proposed by members
 - Rotating between different locations

Discussion Points

- Points picked up from talks:
 - Difference between model and theory – extrapolation vs interpolation
 - Simplicity versus the need for overrides
 - ...
- Is it a model (for model risk purposes) if:
 - Only used locally by one person
 - Is extremely simple
 - Does not directly impact P&L, capital or liquidity
- Process
 - Who decides what is a model?
 - Who challenges that decision?
- Are there any differences between practices in different sectors:
 - Banking
 - Insurance
 - Wealth management
- Or between:
 - Large and small institutions
 - Institutions also under US or EU jurisdiction
- Other points...

Topics for Future Events

- Model risk appetite and model risk quantification
 - Quantification techniques
 - How (and whether) to aggregate
- OCC SR 11-7 as a standard
- Capital buffers for model risk and model governance
- Model risk taxonomy and classification
 - Quantifiable versus non-quantifiable
 - Statistical uncertainty versus the impact of assumptions
- The frontier with operational risk