

Mid-tier bank gains 80% efficiency with model risk management

Our Client & Context

The client, a mid-tier bank in North America, used manual model monitoring processes for its marketing and risk management departments. The regulators, in external audit findings, pointed out errors in the model monitoring outcomes and it was mainly because of manual processes in place. The bank had an inventory of 20+ models across credit risk, market risk, stress testing etc., which were monitored by sub-teams.

Key Challenges

The various model monitoring processes were operating in silos, with a clear challenge for standardization.

The regulators, on conducting external audits, detected errors in some of the high-impact models and pointed out their deteriorating performances.

These manual monitoring processes had a high turnaround time and full time equivalent utilization when compared to automated monitoring analysis.

Incedo Lighthouse™ enabled model risk management solution

Incedo Lighthouse™ implemented a 'System of Insights' for the existing model inventory that acts as a one-stop solution for the risk management team.

Model ID	Model Name	Prioritization	Risk Rating	Maturity	Last Date Of Implementation	Update Date	Status	Comments	Repository	Actions
IPRIS_P01	DME	High	High	High	2020-09-22	2021-03-10	Active			
INTERNAL_RATNL1	DME	High	High	High	2020-09-22	2021-03-10	Active			
INTERNAL_RATNL0	Tourism	High	High	High	2020-09-22	2021-03-10	Active			
IMT_R0K1	Val of The Investment Portfolio - Historical Simulation	High	High	High	2020-09-22	2021-11-23	Active			
IMT_R0K2	Val of The Investment Portfolio - Parametric	High	High	High	2020-09-22	2021-03-10	Active			
IMT_R0K1_CC	Credit Card Response Propensity Model	Low	Low	Low	01/10/2020	2020-12-10	Active			
IMT_R0K1_PL	Personal Loans Response Propensity Model	Low	Low	Low	08/09/2020	2020-12-10	Active			
HL_MKT_R0K1	Val of The Investment Portfolio - Parametric	High	High	High	2020-09-22	2021-03-10	Active			
HL_RISK_L001	Loss Severity Model - No warranty	High	High	High	2020-09-22	2021-03-10	Active			

The solution enabled executive level views and recommendations. Report generation is now possible at the click of a button.

Model level, deep dive validation analysis has been made possible with diagnostics like KS, Lift Curve and PSI etc.

	Development Cohort	Validation Cohort
Performance Window	Sep'18 to Feb'19	Mar'19 to Mar'20
# Total Customers	100	200
# Bad(1)	25	5
# Good(0)	75	195
Event Rate: Bad Rate	0.25	0.025
Mean Rating (Good)	3	4
Mean Rating (Bad)	4	5

This AI/ML enabled tool acts as a workflow enabler and one-stop shop for all the regulatory model risk assessments.



Benefits

80% Efficiency and productivity gain through automated model monitoring

Regulatory compliance through resolution of audit reported findings for model risk management

Centralization & Standardization of model monitoring across the bank's processes

Client Testimonials

“With Incedo Lighthouse™ enabled Model Risk Monitoring, we are able to easily monitor & identify opportunities for the originations and behavioral models for credit risk. The user-friendly interface is helping risk managers to understand the status for overall model inventory, deep dive into specific models and take preventive actions that finally lead to minimization of portfolio risk for the Bank.

VP, Credit Risk Team at a Leading Bank in the Americas”



About Incedo

Incedo is a digital transformation expert empowering companies to realize sustainable business impact from their digital investments. Our integrated services and platforms that connect strategy and execution, are built on the foundation of Design, AI, Data, and strong engineering capabilities blended with our deep domain expertise from digital natives.

With over 3,000 professionals in the US, Canada, Latin America, and India and a large, diverse portfolio of long term, Fortune 500 and fast-growing clients worldwide, we work across financial services, telecom, product engineering, and life sciences industries. Visit our website to learn more about how we help clients transform today: www.incedoinc.com



Iselin

170 Wood Avenue South,
Iselin, New Jersey 08830
Phone: +1 732 276 1555

Santa Clara

2880 Lakeside Drive #237,
Santa Clara, CA, 95054
Phone: +1 408 531 6040



Email us

inquiries@incedoinc.com