



VENDOR MODEL DOCUMENTATION STANDARD - FAQs

- Q1:** Which vendors are expected to use this new standard?
A: Any small, medium, or large bank that adopts this standard as a model risk requirement will set this expectation with their vendor models.
- Q2:** What if a vendor does not use this standard?
A: This standard is recommended by MRMIA, but it is not specifically mandated by regulators. If a bank adopts this standard, as stated in a contract, then the vendor is at risk of non-compliance. An issue would likely be cited for documentation. Any documentation that is then provided will need to go through the same MRM review, which may/ may not address the same questions.
- Q3:** What if some of the questions do not apply to the model, or not all questions cannot be addressed?
A: If a question does not apply, the vendor is expected to explain why that is the case.
- Q4:** Does answering all these questions lead to a pass in a validation?
A: Not necessarily. Certainly, if answers are complete and compelling, this will assist favorably in the validation. However, if the answers are incomplete or confounding, the opposite is most likely.
- Q5:** Will validators ask more questions than these 25?
A: This is a minimum standard. While many banks will be satisfied with this limited set of questions, others may request additional information. This may be the case when the model is used for a high risk activity, or a high impact activity.
- Q6:** If there is confusion or uncertainty in any of the 25 questions, who should clarify?
A: The MRM validator that is conducting the validation will interpret the questions and decide when an answer is suitable.
- Q7:** Is the standard a regulatory requirement?
A: No. However, regulators and internal audit are required to determine the effectiveness of MRM. If the MRM practice adopts the MRMIA Vendor Documentation Standard, it will demonstrate consistency, completeness, and rigor used in the validation.
- Q8:** When the questions ask for analytics and interpretations, what are the objectives?
A: These questions are intended to allow the developer to explain the artifacts in evidence. The developer is given the opportunity to explain the rationale of modeling decisions, and explain how analytics support these decisions. The developer should be able to use commonly expressed language – “This is a good fit because...”, “The model is stable because...”, “This sensitivity test shows...”, etc.
- Q9:** Will this standard change regularly?
A: It is not expected to change materially. On an annual basis, the panel will re-convene to either modify or augment, based on feedback from model risk managers and vendors.
- Q10:** Can a vendor’s completion of the Standard be reviewed prior to its use?
A: Yes. Vendors may contact MRMIA to conduct a preliminary review of the responses to address completion, scope, and clarity. This does not constitute a validation, but may be used for enhancements.