THE SHAPE OF MODEL RISK MANAGEMENT TO COME

Ever since Harry Markowitz introduced modern portfolio theory, or mean-variance analysis, in 1952, banking has relied on advanced mathematics to automate and improve decision-making. While risk-based portfolio management is the most famous example of mathematical models penetrating banking, today they are deployed across the entire bank to help optimize everything from asset/liability management (ALM) to anti-money laundering (AML) activities.

While both the past and future of analytical quantitative models in financial services are extremely rich in scope, there are key trends shaping the future of model risk management that cannot be ignored.

This Blog covers the key topics covered by Kevin D. Oden in a session at the 2020 RMA Annual Risk Management Virtual Conference entitled “The Shape of Model Risk Management to Come”, which focused on the future of how models will be utilized and managed at banks and other institutions as theoretical innovations clash and combine with technological innovations.

KEVIN D. ODEN
& ASSOCIATES