

# Latest Version: 6.0

## Question: 1

Which of the following statements is the responsibility of the Model Risk Committee?

- A. Assisting the administrators in fulfilling their obligations with respect to all the models used by the financial institution.
- B. Copying the information about all the models stored in the model inventory.
- C. Providing reports to the risk management committee, the board of directors and senior management on the status of model risk management.
- D. Ensuring the composition of the committee membership is diverse.

**Answer: C**

Explanation:

A Model Risk Committee is responsible for assisting the board of directors in fulfilling its obligations in respect to all the models used by the financial institution, ensuring the integrity of the information about all the models stored in the model inventory, ensuring the composition of the committee membership is appropriate, providing reports to the risk management committee, the board of directors and senior management on the status of model risk management.

## Question: 2

There are assigned people to whom periodic reports are provided about the status of model risk management, who are these people specifically?

- A. Risk management committee, the board of directors, senior management and the audit committee
- B. Risk management committee, the board of directors, senior management and administrators
- C. Risk management committee, the CEO, CCO, and senior management
- D. Risk management committee and audit committee

**Answer: A**

Explanation:

The status of model risk management is provided to the risk management committee, the board of directors, senior management and the audit committee.

## Question: 3

What does “Basel Core Principles for Effective Banking Supervision (bcbs230)” state?

- A. Supervisors shall perform regular and independent validation and testing of the models.
- B. Banks' boards and senior management understand the limitations and certainties relating to the input of the models and the risk inherent to other banks.
- C. The supervisor complies with standards on their use.
- D. The supervisor assesses whether the model outputs appear reasonable as a reflection of the risks assumed.

**Answer: D**

Explanation:

“Basel Core Principles for Effective Banking Supervision (bcbs230) state that “Where banks use models to measure components of risk, the supervisor determines that: banks comply with supervisory standards on their use, banks’ boards and senior management understand the limitations and uncertainties relating to the output of the models and the risk inherent in their use, they shall perform regular and independent validation and testing of the models and that the supervisor assesses whether the model outputs appear reasonable as a reflection of the risks assumed.”