

3rd Largest Global Bank

One of the oldest financial institutions in the United States and the third largest global bank by market capitalization, this bank is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management and private equity. The company operates in more than 60 countries.

Challenge

The bank was required to stress test models to meet CCAR review requirements. The model development, required cross functional SME teams and resources within and external to the organization, with accelerated delivery to meet Federal and internal expectations.

Solution & Delivery

Clarendon Partners was engaged by the bank to manage the model development of key models for the auto loan portfolio for CCAR. The Clarendon Partners (CP) team worked with all stakeholders, from executives to developers; independent validators to model governance, to ensure that expectations were set and all resources were engaged in an efficient and structured manner, and the entire “nuts and bolts” of the model was articulately documented. To manage this corporate objective, the following key deliverables were created:

- Data preparation of NPL, PD, LGD and Transition models
 - PD model selected variable derivation
 - Non-performing loan (NPL) sale
 - Loss data reconciliation
 - LGD modeling segment data
- Delivered updated SAS models that met CCAR requirements
 - Autoregressive Integrated Moving Average with Explanatory (ARIMAX)
 - Logistic Regression
- Complete Model Development Documentation – phased updates delivered to independent reviewers throughout the development process
- Model Development Project Plans – detailed lists of activities and tasks for all groups involved
- Model Validation Issues lists – to ensure all open items from the validation team were responded to and resolved or risk accepted

Impact & Value

- Developed updated models that met CCAR requirements
- Developed extensive model development documentation submitted to the Fed that will also be leveraged for training new modelers and developing new models with similar frameworks/methodology
- Minimized risks associated with the model development effort by providing detailed visibility into all activities and tasks
- Provided confirmation of the models' ability to meet the needs of the business through detailed analysis and review