



**Annual review of the validation process for
Wholesale Credit Portfolios for a large Bank
in GCC**

The Client

A large bank in GCC with total asset size of more than USD 50 Bn, with a majority of wholesale portfolio

Scope and Approach

Aptivaa conducted an independent review of model validation work performed by the Bank's internal model validation team. The consultants from Aptivaa, as part of the independent review performed both qualitative and quantitative validations covering data acquisition and cleansing process, review of the statistical ratios used in the quantitative validation, assessment of governance, the rating process as well as the review of the associated documentation. Aptivaa based on its review, suggested changes to incorporate areas which were missed by the bank's internal validation team. These also included reviews of the model configuration based on model's documentation and identify gaps, if any. Support was provided for fixing the issues in the internal risk rating models and assistance was provided for responding to the queries raised by SAMA on the validation process.

Results

The client was successfully able to convey the result of the annual validation process to senior management to bring out the gaps with respect to the regulatory requirements imposed by the local regulator (SAMA).

Deliverables

- Review and recommendations on the accuracy and robustness of the data collection process including data quality check rules.
- Review and recommendations on the quantitative assessment of the models' performance including Model predictive power, discriminatory power, model stability and Probability of default (PD) calibration
- Review of the calibration techniques and recommendations for improvements leading to significant reduction in model predictive error to have a positive business impact.
- Review and development of candidate benchmark models for possible implementation in the future.
- Review of the qualitative assessment of the models, including governance, model configuration on the platform as well as data acquisition process.
- Use test (including review of the usage of the models in the Credit Approval process)



About Us

Aptivaa is a vertically focused risk and compliance professional services firm offering risk consulting, solutions and analytical services to banks, insurers, as well as asset management and other financial services companies across the globe.

We have developed world-class competencies in high-stakes financial risk and compliance areas such as Enterprise Risk Management, IFRS 9, Credit, Market & Operational Risk, Basel II, Basel III, ICAAP, Risk Based Pricing, Risk Systems implementations etc. We strive to enhance our offerings in line with the latest regulatory updates and ever evolving risk management methodologies and frameworks across the industry.



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