30. (1.5 points)

Identify three criteria that may be used to assess model risk for each of the following:

    i.   Severity of the failure of the model
   ii.   Likelihood of model failure

QUESTION 30	
TOTAL POINT VALUE: 1.5 points	**LEARNING OBJECTIVE(S): D1**
SAMPLE ANSWERS	

i. Severity of the failure of the model
Sample answers (any three of the following)

- Financial significance
- Importance of model
- Frequency of use
- Reputation risks

ii. Likelihood of model failure
Sample answers (any three of the following)

- Complexity of model
- Expertise of users
- Documentation of model
- Adequacy of testing
- Independence of creator and tester

EXAMINER'S REPORT

Candidates were expected to evaluate model risk exposure.

A common error included:

- Mixing up the criteria used to assess severity of model failure and likelihood of model failure