OSFI E-23 Model Risk Assessment Report

# Model Information

Model Name: Fraud Detection System

Assessment Date: September 11, 2025

Framework: OSFI Guideline E-23 Model Risk Management

Risk Level: Critical

Risk Score: 85/100 points

# Executive Summary

This AI/ML-powered, financial decision-making model presents critical model risk requiring maximum governance controls under OSFI Guideline E-23 Model Risk Management framework. Maximum governance controls including board oversight, external validation, and continuous monitoring are required. The assessment indicates Critical risk classification requiring appropriate risk management intensity commensurate with the model's risk profile.

# Risk Analysis

* Quantitative Risk Factor: Financial Impact identified
* Quantitative Risk Factor: Customer Facing identified
* Quantitative Risk Factor: High Volume identified
* Quantitative Risk Factor: Regulatory Impact identified
* Qualitative Risk Factor: Ai Ml Usage identified
* Qualitative Risk Factor: Autonomous Decisions identified
* Qualitative Risk Factor: Real Time identified
* Qualitative Risk Factor: Black Box identified

# Governance Requirements

## Organizational

* Establish Model Risk Committee oversight
* Assign senior management accountability
* Engage multi-disciplinary review team

## Review Approval

* Require board-level approval
* Conduct quarterly comprehensive reviews
* Engage external validation for critical models

# Compliance Recommendations

* Establish comprehensive Model Risk Management framework
* 🚨 CRITICAL: Obtain board-level approval before deployment
* Implement maximum governance controls and oversight
* Conduct external validation and independent review

# Model Description

Real-time fraud detection system using machine learning to analyze transaction patterns and automatically flag suspicious activities for financial institutions.

# Disclaimer

This OSFI E-23 model risk assessment is based on available project information and automated analysis. Final compliance with OSFI Guideline E-23 requires comprehensive stakeholder input, independent validation, and appropriate governance oversight. This assessment should be reviewed and validated by qualified model risk management professionals before making final risk management decisions.