

On behalf of the Office of the Comptroller of the Currency, I am pleased that we are again able to partner with NISS to host this workshop. The OCC has a keen interest in the topics on the agenda.

Banks have been using statistical models for underwriting and account management for several decades. Although the primary responsibility for developing and validating these models rests with each individual bank, bank supervisors like the OCC need to understand the technical details well enough to be able to evaluate banks' methods, and to recommend adjustments or enhancements as warranted.

Until recently, banks' models were developed using relatively simple statistical modeling techniques. But with advances in computing technology and the increased availability of loan-level data, banks are now developing models for applications such as pricing, securitization, and capital analysis that incorporate advances in both theory and application. These include more complex sample designs, and innovative estimation techniques that rely on advanced statistical, econometric, and information theoretic techniques.

We often find that these recent techniques have not been thoroughly explored in the existing research literature. Through workshops like this, we are able to identify outstanding issues where further work would be valuable, and incorporate the results of that work into our supervisory processes.

As we discuss modeling during this workshop, it is likely that some aspects may touch on policy issues. This may be particularly true in an area like systemic risk, but policy issues also may come up in other ways, for example in the form of implications for the design of capital standards. Although policy issues are important, they are not the proper focus for this workshop. The focus should be on modeling, not policy. We have other venues for discussing policy; the productive focus here should be on technical challenges, and on identifying potential areas of research that would address outstanding challenges in new and innovative ways.

With the help of workshop participants, we can improve the oversight and use of models in the banking sector, yielding benefits that go well beyond this workshop in the form of a safer and more sound banking system.