

Examination Work Program
Risk Modeling
As of XXXXXX

1) *Organizational structure*

Evaluate effectiveness of the functional organization, reporting structure, staffing, primary duties, responsibilities and technical expertise, segregation of duties, cross-training, coordination with other departments, and changes in the foregoing since the last examination. In doing so, review the depth and level of management reporting of model results.

2) *Establishment of risk tolerances and development of key policies and oversight by the board of directors. Adequacy of senior management oversight and the risk management function.*

Assess risk tolerances, the development of key policies, and oversight by the board of directors. Evaluate the adequacy of senior management oversight and the risk management function for risk modeling activities, as applicable.

3) *Key FHLBank policies and procedures*

Identify and evaluate key FHLBank policies and procedures applicable to risk modeling activities.

4) *Risk assessment under Part 917 and internal control evaluation under SARBOX*

Evaluate the effectiveness of the annual risk assessment under Part 917 and the internal control assessment under SARBOX applicable to risk modeling activities, as well as procedures implemented to periodically attest to the adequacy of the control environment.

5) *Testing performed by external audit, internal audit or consultants*

Evaluate testing performed by the FHLBank's external auditors, internal auditors or consultants of controls over its risk modeling activities. Specifically, focus on the scope, depth, and ultimate disposition of the annual independent model review.

6) *Information technology and controls*

Identify and assess the automated and manual systems and applicable controls used by the risk modeling function for managing the data flow from trade inception to routing of model output and reports, including authorized users, vendor technical support, use of spreadsheets and business continuity and recovery.

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7) *Identification and evaluation of controls and significant changes to the activity or function*

Evaluate the workflow and processes as well as controls, including the level and direction of risk and the quality of risk management. If applicable, conduct an assessment of any significant changes to risk modeling operations implemented since the last examination, or under consideration, that may affect the FHLBank's risk profile.

8) *Testing*

Conduct tests of FHLBank models using FHFB models and other sources of pricing information. Conduct other testing as appropriate based on preliminary review of model results, governance, risk management, internal controls, audit coverage, and external model validation reports.

9) *Assessment of Risks*

Summarize the results of the activity or function examined in a separate memorandum. The memorandum must articulate the risks and the management of those risks. It should also clearly and specifically describe the basis and analysis for the assessment. The memorandum should discuss the type(s) of risk (market, credit, operational); the level of the risk (low, moderate, high); the direction of the risk (stable, decreasing, increasing); and the quality of risk management (strong, adequate, weak). A memorandum must be prepared irrespective of whether the examiner's assessment is positive or negative.

10) *Items requiring follow-up at the next on-site visitation*

Identify key issues that have been communicated to management (written or oral) that require follow-up during the next on-site visitation.