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Subject: [EXT]: Comments on QC 1000

For firms auditing SR11-7 governed institutions

Firms auditing RS-11-7 governed institutions

Risk Assessment Component

The firm's QC risk assessment should treat failure to understand or test management's compliance with SR-11-7 as a quality risk for affected engagements (e.g., for credit losses models, ALM models).

Engagement Performance Component

Methodologies, tools, and guidance for auditing models should explicitly reference S-11-7 concepts (model definition, Development, implementation, validation, ongoing monitoring, use and governance) when scoping and performing model-centric audit procedures.

Resources Component

QC 1000 requires the firm to ensure appropriate resources, including specialists for banking clients subject to sR-11-7, that implies model risk specialists and training so engagement teams can evaluate SR-11-7 controls and validation work.

Monitoring and Remediation

If inspections or internal reviews find that teams did not adequately consider SR-11-7 in evaluating model risk and related estimates, those findings feed back into QC 1000's monitoring and remediation loop (e.g.; methodology revisions, training, consultation requirements).

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