PulseAI

OSFI E-23 Readiness Kit

Model Risk Management crosswalk and transition-period checklist for federally regulated financial institutions.

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SECTION 1

The E-23 crosswalk

OSFI Guideline E-23 is organized around three outcomes and twelve principles, and its definition of a model explicitly includes AI and machine learning methods. For each principle: what the guideline expects, how PulseAI supports the work, and what remains your institution's, stated plainly.

OUTCOME 1 Model risk is understood and managed across the enterprise

PRINCIPLE	WHAT E-23 EXPECTS	HOW PULSEAI SUPPORTS IT	WHAT REMAINS YOURS
1.1 Organizational enablement	Defined reporting structures, accountable roles, suitable expertise, and enough resources, with model risk communicated to senior management and the board.	Every model record names its accountable owner, developer, reviewer, and approver, so role accountability is explicit and reviewable rather than tribal knowledge.	Reporting structures, staffing and expertise, and the board communication cadence remain organizational decisions.
1.2 Model risk management framework	A framework connecting model use to strategy and risk appetite, covering identification, rating, governance, monitoring, and reporting, including externally sourced models and data.	OSFI E-23 activates as a framework alongside the ones you already run, embedding its expectations into the AI Impact Assessment workflow with completeness checks on the relevant evidence questions.	The framework itself (policy, risk appetite, and scope decisions) is authored and owned by the institution.
1.3 Use of models	Models fit for their business purpose, producing outcomes reliable enough for the intended use, with a process to modify, replace, or retire models that no longer qualify.	Each record carries the approved use cases a model serves and its lifecycle dates: production deployment, last review, and when the next review is due.	Fitness-for-purpose judgment and the decision to modify, replace, or retire a model stay with the business.

OUTCOME 2 Model risk is managed using a risk-based approach

PRINCIPLE	WHAT E-23 EXPECTS	HOW PULSEAI SUPPORTS IT	WHAT REMAINS YOURS
2.1 Model identification	Identify and track models in use and recently decommissioned, including vendor and third-party models, with an accurate, current, controlled enterprise inventory holding the Appendix 1 information.	The Model Registry holds an Appendix 1-aligned record per model, Google Workspace discovery surfaces vendor AI employees have connected, and the compliance export produces an E-23 Model Inventory Appendix that names what is captured and what is still missing.	Whether a model carries non-negligible risk, and therefore belongs in the enterprise inventory, remains your institution's judgment.
2.2 Model risk rating	An inherent risk rating per model based on measurable criteria, with externally developed models rated standalone for their impact on the institution rather than inheriting a vendor's assessment.	Every risk rating records who assessed it, when, and the rationale. A rating with no assessment on file is labeled exactly that, so an unexamined tier is never mistaken for a reviewed one.	The rating criteria and the assessment itself are the institution's: PulseAI records provenance, it does not assign ratings.
2.3 Risk management intensity	The risk rating drives the depth and frequency of documentation, review, approval, monitoring, and reassessment, with robust handling of any exemptions.	Completeness checks and next-review dates make it visible where the evidence depth behind a model does not yet match its rating.	Calibrating intensity to rating, and approving and tracking exemptions, is your framework's call.

OUTCOME 3 Governance covers the full model lifecycle

PRINCIPLE	WHAT E-23 EXPECTS	HOW PULSEAI SUPPORTS IT	WHAT REMAINS YOURS
3.1 Policies, procedures, and controls	Documented controls that work across model types and risk levels, explicit responsibilities, early stakeholder involvement, and review activities that preserve independence.	A single governance record per model makes responsibilities and evidence explicit, giving policies something concrete to attach to.	The policies and procedures themselves, and preserving independence between development and review, are organizational controls.
3.2 Model data	Data suitable for the intended use: accurate, relevant, representative, traceable, and timely, with bias understood and lineage documented.	Each model record captures its data sources and documented limitations, and the assessment workflow asks for the data evidence E-23 expects.	Data quality management, bias controls, and lineage tooling operate in your data estate, not in PulseAI.
3.3 Model development	Consistent development standards for methods, performance, documentation, assumptions, limitations, and explainability appropriate to the model's purpose and autonomy.	Records state where each model originated (internal or vendor), and the inventory appendix names documentation that is still missing instead of quietly omitting it.	Development standards and their enforcement live in your engineering and validation practice.
3.4 Model review	Review independent from development, assessing conceptual soundness, performance, data quality, limitations, and fitness, including relevant third-party platforms, components, and libraries.	Every record names its reviewer and carries last-review and next-review dates, so review coverage and currency are visible at inventory level.	Conducting the independent review, and acting on its findings, is the institution's process.
3.5 Model deployment	Deployment through quality and change controls: production testing, documented responsibilities and approval paths, and monitoring defined before the model enters a business process.	The approver is named on the record and the production deployment date is tracked, anchoring the approval trail E-23 expects.	Change management, production testing, and deployment gates run in your delivery pipeline.

PRINCIPLE	WHAT E-23 EXPECTS	HOW PULSEAI SUPPORTS IT	WHAT REMAINS YOURS
3.6 Model monitoring and decommissioning	Monitoring standards proportional to risk (frequency, metrics, thresholds, drift, escalation) and controlled, documented decommissioning with downstream checks.	Monitoring status lives on every model record, and health findings raise governance gaps: an active vendor model without a confirmed data processing agreement is flagged automatically.	Monitoring execution, thresholds, escalation, and decommissioning runbooks remain operational responsibilities.

SECTION 2

The transition-period checklist

What to practice before May 2027: the goal is to enter the in-force date with a process that has already produced evidence, exposed gaps, and improved through use.

1. Build the inventory

You cannot govern models you have not identified.

- [ ] Identify internally developed, vendor, embedded, and recently decommissioned models, including AI and ML systems.
- [ ] Record the Appendix 1 information you hold for each model, and mark missing information honestly.
- [ ] Bring discovered and shadow AI tools into the same review process as approved ones.
- [ ] Confirm the inventory has an owner and a process that keeps it current, not an annual snapshot.

2. Assign accountability

Every model needs named humans behind it.

- [ ] Name the accountable owner, developer, reviewer, and approver for each model.
- [ ] Confirm each role understands the decisions it makes and the evidence it must produce.
- [ ] Close out models with no current owner: orphaned models are unmanaged risk.
- [ ] Establish how model risk reaches senior management and the board.

3. Calibrate risk ratings

A rating should change what happens next.

- [ ] Define measurable rating criteria: purpose, complexity, autonomy, data reliability, customer impact, exposure.
- [ ] Rate each model and record who assessed it, when, and why.
- [ ] Rate vendor and third-party models standalone for their impact on your institution; do not inherit the vendor's view.
- [ ] Test that the rating actually changes the depth of governance a model receives.

4. Exercise review and monitoring

A process that has never run is not a process.

- [ ] Run independent review on a representative set of models, including third-party components.
- [ ] Test change triggers, escalation paths, and reassessment on a real change.
- [ ] Define monitoring frequency, metrics, and thresholds proportional to each model's risk.
- [ ] Walk one decommissioning through end to end, including downstream-effect checks.

5. Challenge vendor readiness

Using a third-party AI service does not transfer accountability to the provider.

- [ ] Review vendor documentation, dependencies, update practices, and performance evidence.
- [ ] Confirm information and audit rights, and timely reporting of material model, data, or security events.
- [ ] Check that model and dependency changes are visible before they alter your exposure.
- [ ] Record accepted limitations and the compensating controls that cover them.
- [ ] Confirm you can continue critical operations if the service deteriorates or becomes unavailable.

6. Repeat the cycle

Enter May 2027 with evidence your process has already produced.

- [ ] Update the inventory when use, data, infrastructure, performance, or dependencies change.
- [ ] Re-run gap and completeness reviews after each cycle instead of waiting for the annual review.
- [ ] Keep review and monitoring evidence current between formal snapshots.
- [ ] Treat gaps as a work list: assign, close, and re-check them.

What PulseAI does not do. PulseAI organizes the evidence and makes the gaps visible. Whether a model carries non-negligible risk remains your institution's judgment, and an E-23 mapping or report is not a regulator's approval or proof of compliance on its own.

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