OSFI E-23 evidence for third-party models

What a bank can put in its model-risk file for a model it does not run.

What changes on 1 May 2027

From 1 May 2027, OSFI Guideline E-23 brings vendor and third-party models into model risk management. It applies to all federally regulated financial institutions. Three of its expectations reach a model the institution neither built nor operates:

- **Inventory.** Institutions identify and track models in use, “including vendor and third-party models”, and record each model's origin and, where its risk is not negligible, its version.
- **Rating.** “Externally developed models should be assessed for model risk ratings on a standalone basis.”
- **Review.** A review can include “reviewing third-party models and platforms”, and “institutions can use the work of internal reviewers or objective third parties.”

The gap

When a bank reaches a model through a vendor's service, the record of which model answered a given request comes from the vendor: its logs, its release notes, its attestation of its own environment. That evidence is useful, and it is the vendor's own account. A standalone rating and an independent review are easier to defend with evidence the vendor did not write.

What a receipt adds

A tamper-evident receipt, signed by an independent verifier that re-executes a sample of the work on separate compute. The receipt binds model, input and output, so it states which model produced a given output, and it comes from a party that did not run the model.

Where it sits in the E-23 file

E-23 file	What the receipt supports	Who checks it
Inventory and model version	Receipts name the model that answered, to compare with the version on record	Model owner, model-risk team
Standalone rating and review	Evidence about the vendor's model from outside the vendor	Model reviewer, internal or an objective third party
Ongoing monitoring	Receipts over time show whether the model answering, on the sampled work, is still the one reviewed	Model-risk team, internal audit
Supervision	A record the institution can produce when asked	Internal audit, external auditors

E-23 asks for evidence, not for a particular technology. A receipt is one form of evidence a reviewer can weigh next to the vendor's own.

Status. Live for open-weight embedding models on ordinary GPUs, including a bank's own model through ONNX (catalog: bge-large, bge-small, EmbeddingGemma 2). Each new model joins the same way: exported to ONNX, calibrated against its reference, then independently verified. The committed-trace method is in a public preprint (zenodo.org/records/24296631). Built in Montréal.

Source: OSFI, Guideline E-23, Model Risk Management (2027), published 11 September 2025, effective 1 May 2027. osfi-bsif.gc.ca/en/guidance/guidance-library/guideline-e-23-model-risk-management-2027 (scope, A.2; Principles 2.1, 2.2 and 3.4; Appendix 1).