Pills

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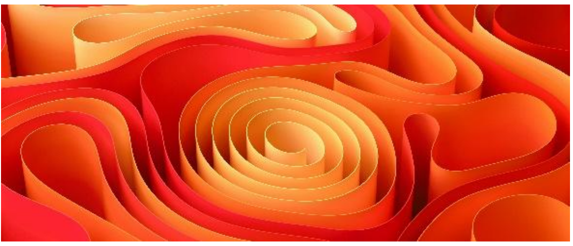

TOPICS:

Market risk

SOURCE:

European Banking Authority

The EBA Consults on Reporting Framework for Validation and Monitoring of ISDA Standard Initial Margin Model

- The EBA consultation paper proposes a **new reporting framework** to support the **validation and ongoing monitoring of the ISDA Standard Initial Margin Model (SIMM)** under the revised EMIR framework. The proposal introduces recurring reporting requirements for financial and non-financial counterparties using ISDA SIMM-based initial margin models, enabling the EBA to **validate model performance**, monitor its ongoing use, and calculate **annual validation fees**. The consultation runs until **2 November 2026**.
- The reporting framework is structured around **three objectives**: providing an overview of OTC derivatives activities subject to initial margin, collecting information for **fee calculation** and monitoring model performance through data on **margin disputes, adjustments to initial margins, cases where the model is not used and back-testing results**. Reporting templates are designed to standardise data collection while aligning, where possible, with existing EMIR trade repository reporting.
- To reduce compliance costs, the proposal adopts a **proportionate approach**. Counterparties with **significant OTC trading activities** would submit comprehensive **quarterly reports**, while smaller firms would provide only limited activity and fee information **annually**. The consultation also seeks feedback on reporting thresholds, template design, fee calculation methods and the level of reporting granularity before the framework is finalised. The **first reporting reference** date is expected to be **December 2027**, with submissions beginning in the **first quarter of 2028**.