



TOPICS:

Market risk

SOURCE:

European Banking Authority

The EBA Kicks off EU Central Validation of ISDA SIMM

- The Decision of the EBA (EBA/DC/610), dated 27 January 2026, establishes the **governance framework and operational arrangements for validating the ISDA Standard Initial Margin Model (ISDA SIMM)** under EMIR. It clarifies the EBA's role as central validator of the pro forma ISDA SIMM model and sets out procedures for onboarding counterparties, model validation, monitoring and potential withdrawal of validation.
- **Scope and Legal Basis.** The Decision defines the "ISDA SIMM validation system" and applies to competent authorities and financial and non-financial counterparties subject to initial margin requirements. The EBA validates only the pro forma ISDA SIMM model; counterparties remain responsible for implementation and regulatory compliance.
- **Onboarding and Information Requirements.** Competent authorities must submit structured information (Annexes 1 and 2) on entities using ISDA SIMM. Counterparties must provide complete and accurate documentation, including calibration, risk weights, correlations, governance arrangements and evidence of model performance. The EBA may rely on confirmations from ISDA and competent authorities to streamline onboarding.
- **Validation Process.** Upon confirmation of completeness, counterparties may apply the model while validation is pending. Validation decisions must generally be adopted within six months of the first complete application. The EBA may validate, refuse, or condition validation. Certain updates (e.g., technical corrections or parameter recalibrations within the existing framework) do not constitute model changes requiring revalidation.
- **Monitoring and Withdrawal.** Continuous monitoring includes review of model calibration, risk coverage, back-testing results and market developments. The EBA may partially or wholly withdraw validation where financial stability concerns arise or cooperation obligations are not met. Withdrawal decisions are addressed to all validated users and may be automatic where entities cease to comply.
- **Governance and Decision-Making.** Decisions on validation and withdrawal are taken by the Board of Supervisors, with technical input from the relevant Standing Committee and the Executive Director. The Decision enters into force on 1 March 2026

