



TOPICS:

Market Risk

SOURCE:

European Central Bank

The EBA Consults on Regulatory Products on Initial Margin Model Authorisation

- The EBA launched **two public consultations** on **initial margin model authorisation** (IMMA) under the European Market Infrastructure Regulation (EMIR). The consultations run **until 17 June 2026**.
- **The first** consultation outlines draft **Guidelines on the authorisation of initial margin (IM) models**, aiming to harmonise supervisory practices across the EU.
- It establishes a requirement for counterparties to obtain **prior authorisation** before using or modifying IM models for non-centrally cleared OTC derivatives. A key feature is the treatment of “pro forma models” (e.g. ISDA SIMM), which must be centrally validated by the EBA before national authorities can authorise their use.
- The Guidelines define **minimum information requirements** for applications, including details on the counterparty, model design or implementation and evidence of internal validation and governance. They adopt a proportionate approach, imposing stricter requirements on internally developed models than on models based on validated frameworks. They also clarify when model changes trigger **re-authorisation**, focusing on material changes to methodology, scope, or governance. Additional provisions cover notification obligations and documentation standards.
- **The second** consultation sets out draft **Regulatory Technical Standards (RTS)** specifying supervisory procedures **for the authorisation and ongoing monitoring of initial margin (IM)**. The RTS apply primarily to large institutions with significant OTC derivatives exposure (AANA ≥ EUR 750 billion) and aim to ensure consistent, risk-sensitive supervision across the EU.
- A central feature is the EBA's role in **validating “pro forma models”** (e.g. ISDA SIMM), covering general model components, while competent authorities assess firm-specific implementation. This reduces duplication and promotes supervisory convergence.
- The RTS define **detailed qualitative and quantitative assessment criteria**. Qualitative aspects include governance, internal validation, audit, IT systems, outsourcing, and documentation. Quantitative requirements ensure accurate risk capture through standards on risk factors, calibration (e.g. 99% confidence, 10-day MPOR), data quality, and back-testing.

