EBA/CP/2026/16

05/08/2026

Consultation Paper

Reporting for the purposes of the validation and monitoring of ISDA SIMM

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1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 2 November 2026. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

This consultation paper puts forward a proposal for reporting of information for the purposes of validating and monitoring the performance of pro forma models, as well as authorising the use and monitoring the performance of initial margin models based on those pro forma models.

The consultation is addressed to counterparties that have to seek validation for the use of ISDA SIMM from the EBA. In accordance with Article 10 of the Decision of the European Banking Authority concerning arrangements for the Initial margin Model Validation function under EMIR for ISDA SIMM (EBA/DC/610), users of the ISDA SIMM validation system, including counterparties onboarded to it, shall provide the EBA through the validation system or through any other means deemed appropriate by the EBA with any additional information and data that EBA will consider necessary for the performance of its validation function.

In accordance with Article 11(3), fourth subparagraph, EMIR and the Draft Delegated Act on fees [C/2026/2871] ('DA on fees'), counterparties have to provide the EBA with the information necessary to determine the fees for the validation.

The reporting requirements described in this consultation paper cover an overview of the OTC trading activities subject to initial margins, information for the purposes of the calculation of the annual fee to be paid to the EBA for its validation of ISDA SIMM, and information about the use and performance of ISDA SIMM, and the initial margin model built on it, covering margin disputes, adjustments to the initial margin applied and back-testing results.

Reporting entities are asked to report the information set out in this proposal on a recurring basis. The scope, content and frequency of the reporting have been defined with the objective of limiting the cost of compliance with reporting requirements, as suggested in the EBA Report on the efficiency of the regulatory and supervisory framework. Most notably, reporting entities not qualifying as entities with significant OTC trading activities will only have to report a very small subset of the information set out in this proposal, and only on an annual basis.

Next steps

Following the feedback received the EBA will finalise the reporting requirements and will issue an EBA decision that will be directly applicable.

The reporting requirements will be published on the EBA website, as well as in the EBA ISDA SIMM validation platform.

The first reference date for the reporting is expected to be December 2027, with a submission in Q1 2028.

The EBA will develop a technical package to support the reporting of this information, that is expected to become part of reporting framework release v4.4 phase 2.

The decision referred to above will also cover the process, technical specifications and IT solution for submitting the data to the EBA. Further information on this will be provided by the EBA at later stage.

3. Background and rationale

3.1. A new role assigned to the EBA by EMIR 3 and new data needs

1. Article 11 of Regulation (EU) No 648/2012 (EMIR) as amended by Regulation (EU) 2024/2987 (EMIR 3), introduces new requirements in relation to models used by counterparties for the calculation of the initial margin (IM) associated with non-centrally cleared OTC derivatives. The key changes focus on model robustness and supervisory oversight aiming to improve risk sensitivity and resilience, reduce model risk and supervisory arbitrage and ensure consistent application across the EU.
2. Competent authorities are given stronger roles: they can assess and challenge Initial margin models, they may require changes, recalibration, or even replacement of models if deficiencies are identified and there is greater emphasis on consistent supervisory practices across Member States to reduce fragmentation[1].
3. The Initial margin model may be a model directly and fully developed by the counterparty using it ('initial margin model not based on a pro forma model') or it may be a model based on a pro forma model implemented locally. The initial margin model may be used 'directly', i.e. the counterparty maintains and uses the models itself for itself, or indirectly, i.e. the maintenance and use of the model are effectively outsourced to a partner or service provider.
4. According to EMIR, a 'pro forma model' means an initial margin model established, published, and revised through market-led initiatives. Pro forma models are developed to provide a common, standardised methodology for calculating initial margin across counterparties. Even though pro forma models are standardised, they still have systemic importance — errors or weaknesses can affect the entire financial system.
5. Article 11(12a) EMIR requires EBA to set up a central validation function for the elements and general aspects of 'pro forma models' used by financial counterparties and non-financial counterparties. Where a counterparty uses an Initial margin model based on a pro forma model, they must apply to their competent authority to obtain an authorisation, while the EBA needs to extend its validation decision to the counterparty. Competent authorities can only authorise the use of an initial margin model based on a pro forma model by a counterparty, where the pro forma model has been validated by EBA. Counterparties that have obtained validation from the EBA are liable to pay the EBA an annual validation fee.

[1] In March 2026, the EBA has published two public consultations on draft Guidelines and draft Regulatory Technical Standards (RTS) on initial margin model authorisation (IMMA) under EMIR (see here: https://www.eba.europa.eu/publications-and-media/press-releases/eba-consults-regulatory-products-initial-margin-model-authorisation). These products will be finalised by the end of the year, with the aim to support a transparent, predictable, and consistent approach to model assessment and authorisation throughout the Union.

6. The only pro forma model currently in use is the 'Standard Initial Margin Model' (SIMM)[2] developed by the International Swaps and Derivatives Association (ISDA), which has been in use since September 2016.

7. With a view to identifying the addressees of its validation decision, the EBA cooperates with competent authorities to gather structured information on the counterparties that are using ISDA SIMM. The information obtained from competent authorities is used to onboard firms into the EBA ISDA SIMM validation system, enabling those counterparties to apply for validation by the EBA, and to support supervision and monitoring of ISDA SIMM.

8. In addition to information supporting the identification of the addressees of its validation decision, the EBA needs information in order to perform its role as central validator, i.e. to assess the compliance of the pro forma model (i.e. ISDA SIMM) with the regulatory requirements applicable for the 'model engine' of initial margin models, both when the model developer (ISDA) puts forward an update to the model, and on an ongoing basis. This consultation paper sets out the information identified as necessary (and therefore the reporting requirements) for the validation task on an ongoing basis[3], taking inspiration from discussions with the model developer and their monitoring reports as well as from exchanges with competent authorities about their intended approach to both the authorisation and supervision of the use of initial margin models. Most of the information envisaged to be collected can serve a dual purpose, i.e. support both the EBA in its validation and monitoring of the pro forma model, and competent authorities in their authorisation and supervision of the use of the Initial margin models based on that pro forma model. Therefore, the EBA plans to share the information collected via the regular reporting with competent authorities.

3.2. The regular reporting to EBA by users of ISDA SIMM

3.2.1. Legal basis for the reporting on ISDA SIMM

9. In accordance with Article 10 of the Decision of the European Banking Authority concerning arrangements for the Initial margin Model Validation function under EMIR for ISDA SIMM (EBA/DC/610), users of the ISDA SIMM validation system, including counterparties onboarded to it, shall provide the EBA through the validation system or through any other means deemed

[2] https://www.isda.org/isda-solutions-infohub/isda-simm/

[3] Regular reporting is not the sole source of information for the EBA's validation decision and ongoing monitoring of the performance of the pro forma model, but the most structured one. Other information and data feeding into the EBA's decisions and reports, in addition to the documentation of the model by the model developer, may stem from discussions with counterparties, from the analysis of market-data, or ad hoc requests to counterparties, for example.

appropriate by the EBA with any additional information and data that EBA will consider necessary for the performance of its validation function[4].

10. In accordance with Article 11(3), fourth subparagraph, EMIR and the DA on fees, counterparties have to provide the EBA with the information necessary to determine the fees for the validation.

11. Given the mandate of the EBA to validate the IM pro forma models and the identified data needs coming from interactions with different stakeholders and taking into account the EBA/DC/610 and the DA on fees, this consultation paper puts forward a comprehensive proposal for regular reporting of standardised information to the EBA by the users of the ISDA SIMM.

3.2.2. The building blocks of the reporting requirements

12. Building on the rationale explained in Section 3.1, the information proposed to be collected on a regular basis is grouped into three sections, meant to serve three broad purposes :

    - **Overview of OTC trading activities subject to initial margins** (template V 01.00), providing the EBA with statistical information for its yearly report in accordance with Article 11(12a), third subparagraph, EMIR. Information in this template will also allow for a rough estimate on the 'market share' of ISDA SIMM.
    - **Information for the purposes of the fee calculation** (template V 02.00) determining the annual fees to be collected from financial counterparties and non-financial counterparties using the pro forma models validated by EBA, to cover its costs for the performance of its tasks as a central validator for such models
    - **Information about the use and performance of ISDA SIMM, and the initial margin model built on it**, covering margin disputes (templates V 10.00 and V 11.00), adjustments to the initial margin ('add-ons') applied (templates V 12.00 and V 13.00), cases where ISDA SIMM is not used (V 14.00), and back-testing results (templates V 15.00 to V 17.00). This information is used to assess and monitor, on an ongoing basis, the performance of ISDA SIMM and identify potential issues, including issues related to the calibration, design and coverage of instruments, asset classes and risk factors by ISDA SIMM.

13. Templates V 01.00 and V 02.00 are more general in scope and therefore the information required accounts for the different methods that entities can use to compute the initial margin. In addition, the templates were intentionally designed to account for the fact that in the future there may be other pro forma models in use, and not only the ISDA SIMM. This is only a contingency measure, aiming to enable the EBA to react at short notice to the emergence of a

[4] Please note that this provision of EBA/DC/610 is not only the basis for the reporting of data and information on a regular (i.e. recurring) basis from all or a broader set of counterparties that use initial margin models based on ISDA SIMM, but would also be the basis for ad hoc requests to such counterparties.

new pro forma model in the light of long lead times ('time to market') for changes to the EBA reporting framework. It is not meant to indicate that the EBA expects any such other pro forma model to emerge in the foreseeable future, i.e. the column (V 01.00) respectively z-axis entry (V 02.00) corresponding to this 'other' pro forma model are expected to remain empty / unused for the time being.

3.2.3. Reporting population, scope of consolidation and frequency

14. The reporting requirements apply to all financial and non-financial counterparties that are subject to the obligation to apply for authorisation from their competent authority before using, or adopting a change to, a model for initial margin calculation, in accordance with Article 11(3) EMIR, and use an initial margin model based on ISDA SIMM. Proportionality aspects were duly considered when developing the reporting requirements, resulting in different scopes of information to be reported depending on the level of activity of the counterparty using the initial margin model based on ISDA SIMM, and different reporting frequencies. The table below provides an overview of the reporting requirements, including the reporting populations and reporting frequency:

Topic	Template code	Template name	Reporting population	Frequency
ACTIVITIES SUBJECT TO INITIAL MARGINS	V 01.00	Activities subject to initial margins	Reporting entities other than reporting entities engaged in significant OTC trading activities	Annual
			Reporting entities engaged in significant OTC trading activities	Quarterly
INPUTS TO THE FEE CALCULATION	V 02.00	Use of initial margin models based on pro forma models: Information for the purposes of the fee calculation	All reporting entities	Annual
Initial margin models based on ISDA SIMM				
MARGIN DISPUTES	V 10.00	ISDA SIMM: Formal margin disputes	Reporting entities engaged in significant OTC trading activities	Quarterly
	V 11.00	ISDA SIMM: Most significant margin disputes	Reporting entities engaged in significant OTC trading activities	Quarterly
ADJUSTMENTS TO THE INITIAL MARGIN	V 12.00	ISDA SIMM: Adjustments applied to the initial margin calculated based on ISDA SIMM	Reporting entities engaged in significant OTC trading activities	Quarterly
	V 13.00	ISDA SIMM: Most significant adjustments applied to the initial margin calculated based on ISDA SIMM	Reporting entities engaged in significant OTC trading activities	Quarterly
NON-USE OF ISDA SIMM	V 14.00	ISDA SIMM: Non-use of the model	Reporting entities engaged in significant OTC trading activities	Quarterly
BACKTESTING RESULTS	V 15.00	Backtesting results - Aggregated data	Reporting entities engaged in significant OTC trading activities	Quarterly
	V 16.00	Backtesting results - Information per margined portfolio	Reporting entities engaged in significant OTC trading activities	Quarterly
	V 17.00	Backtesting results - Analysis	Reporting entities engaged in significant OTC trading activities	Quarterly

15. With the exception of the information on the AANA of the group, all information refers to the activities of the entity reporting the information (i.e. the reporting takes place at individual level).

Tailoring the reporting population – proportionality considerations

16. With regard to the supervisory procedures for granting the authorisation to use the initial margin model, Article 11(15), point (aa), of Regulation (EU) No 648/2012 (EMIR) distinguishes between 'credit institutions (…) and investment firms (…) that have, or belong to a group that has a monthly average outstanding notional amount of non-centrally cleared OTC derivatives

of at least EUR 750 billion' and other counterparties. Therefore, EMIR draws the line between 'significant market players' that warrant more intense supervisory scrutiny and other players ('less significant') based on

- The volume of trading activities determined at the level of the group and
- The type of authorisation (credit institution / investment firm vs. others) of the counterparty itself.

17. With regard to the question of how to define, in a proportionate manner, the reporting population for the regular reporting aiming to assess the performance of a model (which is in the scope of this consultation paper), this distinction in EMIR has two drawbacks:

- The group-level focus means that counterparties may be considered 'significant', even if they themselves (i.e. at individual level) are engaged in very limited OTC trading activities, and therefore can provide only limited information or feedback on the performance of the initial margin model (and the pro forma model in particular);
- The focus on credit institutions and investment firms means that a few counterparties that are neither credit institutions nor investment firms, but use the initial margin model quite extensively, would be excluded as a source of observations on the performance of the initial margin model (and the pro forma model in particular).

18. Against this background, the reporting requirements presented in this consultation paper are designed in a way that a distinction is made between (i) 'reporting entities with significant OTC trading activities', which are subject to a more comprehensive reporting, and (ii) other reporting entities, that only have to report very limited information.

19. There is a two-step filter to identify those entities:

- The group-level filter, based on the AANA of the group (but not the type of authorisation or activity), to exclude less significant groups as market players and
- The individual-level filter, that considers the same 'size of activity'-measures that is the basis for calculating the fees for the validation by the EBA, to identify the entity of the group that is located in the EU and has the most comprehensive activities[5], and other significant entities based on a threshold.

20. As regards the group-level filter, credit institutions and investment firms have to monitor the group-level AANA on a regular (typically annual) basis, as this determines whether or not they are 'significant market players' in the sense of EMIR. While industry representatives have indicated that calculating the AANA value is associated with a noteworthy cost, counterparties (credit institutions, investment firms and other types of entities) only need to know whether

[5] The EBA intends to calibrate that threshold based on the information it collects to calculate the fees for 2026. Depending on the data, the qualitative criterion (the entity with the most comprehensive activities in the EU) may be dropped.

their group exceeds the threshold set by EMIR (EUR 750 bn), which is possible on the basis of estimates, rather than precise calculations.

21. As regards the individual level-filter, all entities in scope of the EBA/DC/610 are entities subject to the obligation to seek validation for the use of an initial margin model based on ISDA SIMM, and therefore to provide the input for the fee calculation, so this is information that those entities have to have available in any case. The EBA plans to calibrate the threshold based on the data it collects in 2026 for the purposes of the fee calculation.
22. The specific criteria for identifying reporting entities with significant OTC trading activities are set out in Chapter 4 of this consultation paper.
23. The distinction between reporting entities engaged in significant OTC trading activities and other reporting entities impacts both the frequency of the reporting, and the scope of the information to be provided.
24. Reporting entities engaged in significant OTC trading activities are asked to report all the information set out in this consultation paper on a quarterly basis, with the exception of the fee template, which is to be reported on an annual basis.
25. Reporting entities other than the reporting entities engaged in significant OTC trading activities only need to report information about their activities (V 01.00, for one single reference date, i.e. annually) and the information for the purposes of calculating the fees (V 02.00, monthly data in an annually reported template).

Questions for consultation

Question 1

Do you agree that the criteria set out in Article [1] of this decision support the identification of reporting entities with significant OTC trading activities?

Question 2

Do you have suggestions for an alternative criterion, or alternative criteria (including, where relevant threshold(s)), for identifying counterparties with (individually) significant OTC trading activities? If your proposal includes a threshold, please specify both the reference measure (e.g. initial margins, AANA) and the level you deem appropriate (if the threshold is expressed in monetary terms, please specify it in EUR).

The population of entities reporting the more comprehensive set of information that is selected based on these criteria should be sufficiently broad and diverse to support identifying weaknesses of the pro forma model, ideally include at least one entity of every group engaged in OTC trading activities in the EU as well as standalone entities with significant OTC trading activities. The criterion or criteria should be easy to assess and monitor, without significant cost of compliance for monitoring the entity’s position towards the threshold. Please explain how your suggested criterion or criteria meet these requirements.

Reporting obligations – stability considerations

26. Reporting entities other than the reporting entities engaged in significant OTC trading activities might extend their OTC trading activities over time, which might lead them to transition at some point from 'other' reporting entities to 'reporting entities engaged in significant OTC trading activities'. The reverse is also possible.

27. To prevent frequent changes to the reporting obligations of entities, different mechanisms can be devised to ensure more stability and predictability with regard to the position of an entity towards a threshold:

    - **Estimates across a period of time** as opposed to point-in-time-assessments, such as assessing the position vis-à-vis a threshold on the basis of average values across a period of time, or
    - **'entry and exit criteria'**, i.e. rules setting out when reporting entities have to start (or can stop) reporting the more comprehensive information at higher frequency, once they cross (or fall below) the thresholds.

28. The exact design of the mechanism depends on the measure that the threshold refers to and the question of when information about the position vis-à-vis the threshold is available to the EBA.

29. In principle, the EBA envisages to provide around six months of implementation time between the point in time where the reporting entity first becomes aware that it might become subject to the more comprehensive reporting, and the actual start of that more comprehensive reporting. Consistently, a reporting entity should be allowed to revert to the basic reporting on activities and fees only, if it is between six and twelve consecutive months below the threshold.

3.2.4. Shared concepts between reporting requirements and linking the information with EMIR trade repositories data

30. In developing the proposed reporting requirements, the EBA has relied on discussions with a range of stakeholders. No other sources have been identified that could provide the specific information intended to be collected. While some concepts in this report overlap with those used in other reporting frameworks (such as EMIR trade repositories reporting[6]), the underlying data requirements differ and are highly specific.

31. Where concepts are shared, aligned definitions have been used (e.g. the concept of a netting set, LEI code, etc), and where differences arise, these have been clearly articulated (e.g. the distinction between a netting set and a margined portfolio). This approach ensures consistency and clarity, while also ensuring that the data collected effectively serves its intended purpose.

[6] Trade repositories (TRs) centrally collect and maintain the records of derivatives under Regulation EU No 648/2012 (EMIR). The data however is not granular enough – for example, it does not include the information whether the initial margin was calculated based on the standardized grid or an initial margin model, and if so, what kind of model, or whether an adjustment was applied.

32. Among others, reusing established definitions facilitates linking the information with other data sources, enhancing comparability and enabling more efficient data integration.

33. With regard to distinguishing between concepts, the proposed reporting requirements rely significantly on the introduction of a new term, 'margined portfolio' (see definition in instructions, Part I, section 1) as being different from a netting set, given that initial margins can be calculated separately for different subsets of transactions of the same netting set.

34. The assumption is that

   - either all transactions of the netting set are margined as a whole based on one and the same method (e.g. the initial margin for the entire netting set is calculated using an initial margin model based on ISDA SIMM), in which case the 'margined portfolio' becomes identical to a netting set, or

   - the counterparties use different approaches for determining the initial margin for different subsets of the same netting set (e.g. the initial margin for an exotic derivative transaction that is part of the netting set, but the main risk factor of which is missing in ISDA SIMM, is determined on the basis of the standardised grid, while all the other transactions in the netting set are together margined using the initial margin model based on ISDA SIMM), in which case there are two (or more) 'margined portfolios' for one and the same netting set.

35. Templates V 11.00 and V 13.00 require the reporting of highly granular information, by margined portfolio. With a view to enabling linking the data requested to that collected in the context of the EMIR trade repositories reporting – thereby avoiding, as much as possible, a request of 'descriptive' information on the margined portfolio (i.e. its composition), it is proposed that the following identifiers[7] are used:

   - the 'collateral portfolio indicator' as defined in field 9 of Table 3 of Commission Delegated Regulation (EU) 2022/1855[8] for those cases where the margined portfolio consists of multiple transactions. The assumption is that the 'collateral portfolio indicator' is unique to a netting set (and cases of multiple margined portfolios belonging to the same netting set being margined based on the same IM model do not exist or are very, very rare) and therefore can be used to identify all transactions in the netting set;

[7] In addition to other columns, please see the specific instructions for the template

[8] Commission Delegated Regulation (EU) 2022/1855 of 10 June 2022 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the minimum details of the data to be reported to trade repositories and the type of reports to be used (OJ L 262, 7.10.2022, pp. 1–33, ELI: http://data.europa.eu/eli/reg_del/2022/1855/oj)

- alternatively, where the margined portfolio consists of a single transaction, the unique record would leverage on the Unique Trade Identifier (UTI) of that transaction, as defined in Article 7 of Commission Implementing Regulation (EU) 2022/1860[9].

36. If the collateral portfolio indicator or the UTI, as applicable, are not available for the margined portfolio in question, the reporting entity is asked to indicate another identifier that supports linking the data reported to a suitable, reasonably accessible and commonly used source of information about the transactions included in the netting set.

Questions for consultation

Question 3

Do you agree with the use of the 'collateral portfolio indicator'/ UTI as tool to make the link to the EMIR trade repositories reporting? Do you see issues arising when trying to make that link? Are the assumptions regarding the link between netting sets, margined portfolios and these identifiers plausible? Could it happen that a netting set comprises more than one margined portfolio where the initial margin is computed using an initial margin model based on ISDA SIMM, and if yes, are such cases frequent? What other identifiers could be used?

3.2.5. Overview of OTC trading activities subject to initial margins (V 01.00)

37. Template V 01.00 gathers general information on the use of pro-forma models by the reporting entities. The main purpose of this template is to understand the significance of ISDA SIMM (or another pro forma model) for the margining of OTC derivative transactions.

38. The template seeks information on the number of counterparties that the reporting entities transact with, as well as the initial margins calculated, with a breakdown between those calculated and collected, and those not collected. The template also requires entities to break down the initial margin by the method for determining that margin.

39. The template has a third dimension (the z-axis) that enables collecting information based on additional characteristics (e.g. by month).

Proportionality

40. Although the information in the template is basic, there is a distinction both in terms of reporting frequency and scope of information to be reported, with a view to further limit the reporting burden for entities with few trading activities.

[9] Commission Implementing Regulation (EU) 2022/1860 of 10 June 2022 laying down implementing technical standards for the application of Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to the standards, formats, frequency and methods and arrangements for reporting (OJ L 262, 7.10.2022, pp. 68–114, ELI: http://data.europa.eu/eli/reg_impl/2022/1860/oj)

41. Reporting entities other than the reporting entities engaged in significant OTC trading activities are asked to report only a subset of information from the template (‘core information‘) on an annual basis, with the last business day of December as the sole reference date (= one single entry for the z-axis). This information will be used by EBA to produce statistics for the last business day of December for its annual report. Information on averages over the month or the maximum over the month does not have to be reported by those reporting entities (i.e. there is no need for some kind of 'ongoing monitoring' of the margins for the purposes of reporting).
42. In contrast, reporting entities engaged in significant OTC trading activities report monthly data on a quarterly basis in this template (i.e. they submit each quarter the template with three entries on the z-axis referring to the specific month in the quarter). As the level of trading activities may fluctuate significantly over the year, and the December values may not be representative, this reporting of monthly data would enable the EBA to assess if there are significant developments over the year or inside certain months, with only a limited delay.
43. Apart from point-in-time information on initial margins as of a certain reference date, reporting entities engaged in significant OTC trading activities are also asked to provide information about the day of the month with the highest initial margin due from counterparties, as well as the average of initial margins due over the month.

Questions for consultation

Question 4

Do you usually monitor, and keep a record of, the initial margins calculated / collected as of each business day? What is the cost of compliance associated with reporting the maximum and average values for the month?

Breakdown by method for calculating initial margins

44. Template V 01.00 requires reporting entities to split the information provided by the method used to compute the initial margins, distinguishing between (i) standardized grid, (ii) initial margin models based on pro forma models (further split between ISDA SIMM and other pro forma models) and (iii) initial margin models not based on pro forma models.
45. Reporting entities may not have yet set up their systems and processes in a way that they can monitor how much of their initial margins were calculated with each method. It is in the entities’ interest, though, to build the capability for this distinction (e.g. for a more tailored fee calculation) and therefore to upgrade their systems in this respect. For proportionality reasons, a transition period or otherwise an exemption could be given to reporting entities other than the reporting entities engaged in significant OTC trading activities, to disregard the breakdown by method of computation and to report just the ’total‘ column (column 0010 of the template).

Questions for consultation

Question 5

Do you see a need to provide entities other than those engaged in significant OTC trading activities with the discretion to omit the breakdown by method for calculating the margin in template V 01.00? Are there particular challenges to providing the breakdown of the number of counterparties and the initial margins by method for calculating the margin, i.e. is there are particular cost of compliance associated with providing that breakdown?

Number of counterparties

46. According to instructions provided for template V 01.00, any counterparty that the reporting entity engages in transactions with, irrespective of the amount of initial margin calculated for these transactions, would be counted. This could lead to a situation where the number of counterparties is inflated in the sense that a large number of counterparties would be reported, while the transactions with many or most of those counterparties lead to initial margins close to 0 EUR.

Questions for consultation

Question 6

Do you think an (im)materiality threshold should be introduced (i.e. for example, should counterparties only be counted if the total initial margin calculated for all transactions with that counterparty amounts to at least EUR 500 000? Is the determination of the number of counterparties in such a case associated with a high(er) or low(er) operational cost?

3.2.6. Information for the purposes of the fee collection (V 02.00)

47. Template V 02.00 requires information on all margined portfolios in scope of the calculation of fees for the validation of pro forma models by the EBA in accordance with Article 3(1) of the DA on fees. The reporting requirements closely follow the calculations and definitions specified in that DA on fees.

48. The DA on fees provides for three different methods for calculating the reference measure for the fee calculation – the 'equivalent notional amount', or a conservative estimate of it. Reporting entities are expected to provide data only for the method they use (i.e. two out of the three columns of the template will always remain empty).

49. The EBA is currently collecting the information for the purposes of calculating the fees due in 2026 based on a template very similar to the proposed V 02.00. Based on the first submission of the filled in templates by counterparties, and data quality issues observed, the EBA is considering an alternative design for template V 02.00: Instead of requesting the equivalent notional amount under the main method (one data point per months), reporting entities could be asked to report the initial margins feeding into the calculation of that equivalent notional amount (i.e. instead of requesting to report $Notional_m$ (main method of Article 3(4) of the DA on fees) respectively $Notional\_Month'_m$ (first alternative method under Article 3(5) of the DA on fees), reporting entities would be required to report $IM(Intereset\ rate, inflation, FX)$, $IM(Credit)$, $IM(Equity)$, $IM(Commodity)$ and $IM(other)$ under the main method respectively their equivalents under the first alternative method). While this data is more

granular, it requires less processing on the part of the reporting entity and likely leads to higher data quality.

Questions for consultation

Question 7

What are your views on the alternative approach of collecting the information on initial margins, rather than the transformed notional amount under the main method and first alternative method? Do you prefer

- Option A: The reporting of the equivalent notional amount, in the version of template V 02.00 shown in the annex or
- Option B: The reporting of more granular information of the initial margins, as described in the alternative solution above?

50. The DA on fees also provides for the option of excluding portfolios, for which the entity does not exchange initial margins, from the calculation of the equivalent notional amount, but requires the reporting entity to indicate in such a case the number of portfolios excluded (see Article 3(1), third and fourth sentence of the DA on fees). Apart from asking for the number of excluded portfolios, the template also seeks information on the overall number of portfolios included in the fee calculation, and, if entities are able to identify them, the number of portfolios for which the initial margin was calculated using an initial margin model based on a pro forma model.

51. As regards the modalities for the submission of the data, the rules for V 02.00 differ from those for the remaining templates. Counterparties have to submit the data on a given calendar year by 31 March of the subsequent calendar year, i.e. they have three months instead of six weeks for preparing the submission. The EBA notes that the submission of this data has a direct and binding consequence – namely the calculation of fees – making it particularly important that any pending questions on the calculation are settled within the three month between the (latest) reference date for determining an input to the calculation and the submission deadline, and that the data submitted is complete and of good quality, especially if the reporting entity submits it close to or on the day of the submission deadline.

3.2.7. Formal Initial Margin disputes (V 10.00 and V 11.00)

52. In templates V 10.00 and V 11. 00, reporting entities are asked to provide information on formal initial margin disputes that they are involved in, at aggregated level (in V 10.00) and at the level of the dispute (in V 11.00).

53. A dispute occurs when two counterparties cannot agree on the amount of the initial margin that should be exchanged. The identification of such disputes, together with an assessment of their underlying causes, may provide a starting point for more detailed investigations into the performance of the initial margin models. Disputes can be a sign of weakness of the pro forma model relevant for the EBA’s validation, or of weaknesses in the implementation of the model

based on that pro forma model by the counterparty, relevant for the authorisation of the use of the model by the competent authority.

54. For practical and proportionality reasons, the reporting requirement is limited to formal initial margin disputes, and more specifically to margin disputes where the reporting entity is not able to collect the entire amount of margin it demanded from the other counterparty to the transactions, provided the uncollected amount exceeds a certain immateriality threshold and provided the dispute lasts for a certain minimum duration or longer. The immateriality threshold is set to 500 000 EUR.

Questions for consultation

Question 8

Do you consider 500 000 EUR to be an appropriate amount to determine the relevance, and therefore materiality of a formal margin dispute? Would you support a higher/lower threshold, and for which reasons?

55. Template V 10.00 covers predominantly 'statistical' information about the number of disputes, while the dispute-by-dispute-template V 11.00 targets the triggers or root causes of the dispute, and their magnitude. The information from both templates supports identifying, but is not sufficient to identify, potential weaknesses of the pro forma model or its implementation; the granular information in V 11.00 provides more specific indications, where further scrutiny may be required, however.

56. With a view to mitigating the cost of compliance with the reporting, the approach foreseen is that the aggregate template V 10.00 is 'comprehensive' and covers all disputes that are 'relevant' in the reporting period (i.e. they started during the reference period, were settled in the reporting period or are still pending at the end of the reporting period), while the granular template V 11.00 deals only with the 'most significant' disputes among them. There is no optimal criterion for assessing 'significance', though. Considering this, as well as the fact that the 'informative value' of the granular V 11.00 for supervisory tasks is higher than the one of the aggregate V 10.00, the alternative solution would be to drop template V 10.00, and report granular information on all relevant disputes in V 11.00.

Questions for consultation

Question 9

Considering both the definition of 'margin disputes' and the frequency of their occurrence, what are your views on the alternative approach of collecting only granular information, but for all disputes, in V 11.00? From a cost perspective, what is less burdensome for you:

- Option A: The two templates presented in this consultation paper

- Option B: Extending the collection of granular information in template V 11.00 to cover all formal margin disputes and dropping template V 10.00).

57. Reporting entities are asked to identify and indicate at both aggregated and granular level the main source of divergence that led to the dispute. The predefined list of possible sources of divergence is inspired by ISDA's quarterly ISDA SIMM monitoring reports, and more specifically the statistics on reconciliation issues presented in that report[10]. By derogation from that list, and with a view to identifying diverging opinions related to the scope of the pro forma model, 'risk not in SIMM' is made a category of its own.

3.2.8. Adjustments applied to the initial margins calculated based on ISDA SIMM and cases of non-use of initial margin models (V 12.00, V 13.00 and V 14.00)

3.2.8.1. Adjustments applied to the initial margins calculated based on ISDA SIMM (V 12.00 and V 13.00)

58. In templates V 12.00 and V 13.00, reporting entities are asked to provide information on adjustments that they apply to the initial margins determined on the basis of the initial margin model. In the documentation of ISDA SIMM, adjustments are referred to as 'additional initial margin' and can be applied at different levels (risk class, product class, netting set / margined portfolio). They can be determined either as a fixed amount or as share of the initial margin (multiplication factors) or the notional (add-on factors) of the transaction. As in the case of the reporting on disputes, the application of an add-on can hint at a weakness in the design or calibration of the pro forma model, but may also be driven by other considerations.

59. The reporting on adjustments to the output of the initial margin model (the 'pure' outputs of the initial margin model) consists of an aggregate template (V 12.00), designed to help 'locating' concentrations of adjustments (add-ons) and understanding their materiality, and an add-on-by-add-on-template (V 13.00) that targets the triggers and root causes for the add-on. Like in the case of the margin dispute templates, V 12.00 is designed to capture the overall picture through comprehensiveness, while V 13.00 is designed to guide more in-depth analyses of trends and developments, ultimately for the purposes of identifying weaknesses of a model or its implementation.

60. With a view to allowing to locate, at least in a rudimentary manner, where the adjustment was applied, template V 13.00 requires reporting entities to report the aggregate adjustments broken down by product and risk class, and where relevant by bucket. It is not entirely clear, though, if this grouping would support identifying adjustments with a similar root cause. At the

[10] Regarding the trade population, the predefined list aggregates all reasons listed by ISDA into one single item in V 10.00, but keeps full granularity in V 11.00. In both templates, the descriptions of all of the categories provided by ISDA have been adapted to some extent in an attempt to align them with the EU terminology and clarify their meaning.

expense of comparability and standardisation, the instructions permit a grouping by different criteria, if the latter appears more suitable for a 'grouping by cause'.

61. The interpretation of the information in the 'comprehensive' template V 13.00 is not fully straightforward, exactly because the data is aggregated: the dimensions along which the aggregation takes place as well as the 'aggregation mechanism' for the materiality information (e.g. what is the right 'average' or 'common denominator' for an adjustment of EUR 50 mn corresponding to 80% of the initial margin before adjustment, and an adjustment of EUR 60 mn corresponding to 30% of the initial margin before adjustment, even if those adjustments are applied in the same bucket of the same risk class) lead to a certain loss of information, which in turn hampers the conclusiveness of that information.

62. At the same time, reporting granular information may be associated with a higher cost of compliance with the reporting requirements. As in the case of the margin disputes, there is in principle the idea that the reporting of granular information could be restricted to reporting on the 'most important' adjustments; however, there is no obvious criterion for identifying the 'most important' ones, in the sense that each possible criterion (e.g. materiality in absolute or relative terms) has some downsides.

63. As for the case of the margin disputes, and based on all the considerations laid out above, the alternative solution would be to drop template V 12.00 (aggregate), and report granular information on all adjustments applied during the reference period in V 13.00.

Questions for consultation

Question 10

Considering both the definition of 'adjustments' (which may require further clarification) and the frequency of their occurrence, what are your views on the alternative approach of collecting only the granular information, but on all adjustments applied during the reference period?

64. Template V 13.00, taking a deep dive into the adjustments applied, consists of very basic information on the composition of the netting set[11], granular information on the composition of the initial margin before the adjustment, and information about the add-on and its root causes. Regarding the latter, the templates aim for a standardised categorisation as a means to facilitate a grouping by root cause(s), but also provides for a free text explanation on what triggered the application of the add-on.

3.2.8.2. Cases of non-use of initial margin models (V 14.00)

65. Apart from the adjustments discussed in the previous chapter, the ISDA SIMM governance framework also foresees the possibility of excluding a transaction from the application of the

[11] As explained above, the template uses the collateral portfolio indicator respectively UTI to enable linking this data to the more detailed data about the individual transactions forming part of the portfolio included in the EMIR trade repositories reporting.

initial margin model based on ISDA SIMM as a remedial measure. This, as well as other instances of reporting entities deliberately choosing not to use the initial margin model, despite the model being in principle eligible and available to determine the initial margin for the margined portfolio in question, could be symptoms of weaknesses of the (pro forma) model itself, such as outdated calibrations, missing risk factors or issues regarding its coverage. They could also point to systematic or 'one-off'-issues not related to the (pro forma) model, but to the implementation of the model (e.g. no suitable data source providing price observations for a crucial risk factor can be found), market events or the relationship between the reporting entity and the counterparty to the transaction (e.g. too many disputes in the past with a certain counterparty). There could also be operational issues that prevented the use of the model in certain circumstances, despite the counterparties to the transaction agreeing to its use.

66. Template V 14.00, a free text template, is dedicated to capturing cases of the systematic non-use of the model, as well as cases of significant ad hoc decisions (or the inability) to use the initial margin model. In addition, reporting entities are asked to report information on significant risks not covered by SIMM that are relevant for the reporting entity's portfolio.

3.2.9. Back-testing results

67. The reporting on the back-testing results consists of three templates – two dedicated to predominantly statistical information, and one template dedicated to the summary evaluation reflecting the reporting entity's assessment of the root causes of the overshootings observed.

68. In accordance with Article 14(3) of Regulation (EU) 2016/2251[12] ('Joint ESAs RTS on uncleared OTC derivatives'), counterparties have to back-test their initial margin model at least every three months. Template V 15.00 captures the results of this quarterly back-testing at aggregated level, requiring reporting entities to indicate the overall number of portfolios back-tested, broken down into red, yellow and green netting sets, as well as the average number of observations in each netting set. With a view to accounting for fundamental differences between different back-testing methodologies, the template requires a breakdown between static, dynamic and other back-testing methods.

69. This aggregate information is complemented by more granular information for a subset of 30 margined portfolios (or less, if the entity is not among the 'significant market players' identified in Article 11(15), point (aa) of EMIR), reported in template V 16.00, that presents the methodological choices for the back-testing made by the reporting entity in more detail, in conjunction with the outcome of the back-testing performed on the basis of that methodology.

[12] Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (OJ L 340, 15.12.2016, pp. 9–46, ELI: http://data.europa.eu/eli/reg_del/2016/2251/oj)

Questions for consultation

Question 11

For technical reasons, template V 16.00 must have a unique row key. The combination of the ID of the margined portfolio, the horizon type and the portfolio population (static/dynamic) is assumed to be unique. Should you be aware of instances where this combination is not unique (e.g. back-testing performed for one and the same netting set, horizon type and portfolio population, but using different kinds of P&Ls), please describe them in your response.

70. In template V 17.00, reporting entities are asked to provide the comprehensive assessment of the overshootings observed. In line with the approach set out in the RTS on IMMA, the objective is to have an aggregated view, instead of an overshooting-by-overshooting analysis, of material weaknesses, systemic biases, or calibration issues in the initial margin model identified. The template is a free text template.

Questions for consultation

Question 12

Do you have any other comments on this proposal for reporting for the purposes of validating and monitoring pro forma models, and authorizing the use of the initial margin models based on them? Are the templates and instructions on how to fill them in clear?

4. Decision of the European Banking Authority EBA/DC/XXX

In between the text of the draft RTS/ITS/Guidelines/advice that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

Decision of the European Banking Authority EBA/DC/X

of DD MMMM 2026

concerning reporting technical standards in scope of the validation of pro-forma initial margin models under the EBA Decision EBA/DC/610

Additional considerations and questions for consultation

Please note that the text presented below is only a part of the formal EBA decision, namely the part relating to the reporting population (who has to report), the reference dates and submission deadlines (when does the data have to be reported) and the data definition (what has to be reported).

More detailed information on the process, technical format and IT solution for submitting the data will be provided at a later stage.

(…)

Article [1] – Definition

For the purpose of this Decision, the following definitions shall apply:

(a) 'Reporting entity' – a financial counterparty as referred to in Article 2, point (8), of Regulation (EU) No 648/2012, or a non-financial counterparty as referred to in Article 2, point (9), of that Regulation that is subject to the obligation to apply for authorisation from their competent authority before using, or adopting a change to, a model for initial margin calculation in accordance with Article 11(3), third subparagraph, of that Regulation and uses an initial margin model based on a pro forma model as referred to in Article 11(12a), sixth subparagraph, of that Regulation;

(b) 'Reporting entities engaged in significant OTC trading activities' – reporting entities which meet both of the following criteria:

   (i) the reporting entities have, or belong to a group that has, a monthly average outstanding notional amount of non-centrally cleared OTC derivatives (AANA) of at least EUR 750 billion as referred to in Article 11, paragraph 15, point (aa) of Regulation (EU) No 648/2012;

   (ii) they meet at least one of the following criteria:

1. the monthly notional amount calculated in accordance with [COM DA on fees: C/2026/2871] exceeds EUR [X] bn [in the six months preceding and including the month of the reference date of the report, or in six out of the 12 preceding months, including the month of the reference date]
2. where the reporting entity belongs to a group, the reporting entity is the entity with the highest monthly notional amount calculated in accordance with [COM DA on fees: C/2026/2871] among all counterparties belonging to that group located in the Member States of the EU.

Additional considerations and questions for consultation

The EBA plans to calibrate the threshold in point (b)(ii)(1) (i.e. determine the 'X') based on the data it collects in 2026 for the purposes of the fee calculation.

Further considerations will be given to potential 'entry and exit criteria', or a definition of the threshold based on across-time measures, with a view to providing reporting entities that become 'reporting entities with significant OTC trading activities' with some time to implement the more comprehensive reporting requirements.

Please see section 3.2.3 of this consultation paper for further considerations on identifying the 'right' reporting population.

Article [2] – Data to be reported

1. Reporting entities shall submit information on their activities subject to initial margins, as set out in template V 01.00 of Annex I, in accordance with the instructions in Annex II, as follows:
   (a) Where the reporting entities are reporting entities engaged in significant OTC trading activities, on a quarterly basis;
   (b) Where the reporting entities are not reporting entities engaged in significant OTC trading activities, on an annual basis.
2. Reporting entities shall submit information for the purposes of the calculation of fees, as set out in template V 02.00 of Annex I, in accordance with the instructions in Annex II, on an annual basis.
3. Reporting entities engaged in significant OTC trading activities shall submit the following information in accordance with the instructions in Annex II, on a quarterly basis:
   (a) The information on margin disputes, as set out in templates V 10.00 to V 11.00 of Annex I;
   (b) The information on adjustments to the initial margin calculated on the basis of an initial margin models, as well as the non-use of the model, as set out in templates V 12.00 to V 14.00 of Annex I;
   (c) The information on their back-testing and back-testing results, as set out in templates V 15.00 to V 17.00 of Annex I.

Article [3] – Reporting reference dates

Additional considerations and questions for consultation

The reference dates are expected to be standardised reporting reference dates, i.e. 31 March, 30 June, 30 September and 31 December.

The targeted first reference date for the reporting is 31 December 2027, with a submission in mid-Q1 2028.

Article [4] – Submission deadlines

Additional considerations and questions for consultation

Like the reference dates, the submission deadlines are going to be standardised. They will be set at around six weeks after the reference date. The submission deadlines for the information for the purposes of calculating fees will be set in accordance with the DA on fees.

Article [5] – Data submission

(…)

Article [6]

This Decision shall enter into force on (…).

(…)

Done at Paris,

XXX

Executive Director

Annexes

Please see separate files

- Annex I: Templates for the reporting of information on the use of initial margin models
- Annex II: Instructions on the information to be reported on the use of initial margin models

5. Accompanying documents

5.1. Draft cost-benefit analysis / impact assessment

In accordance with Article 10 of the Decision of the European Banking Authority concerning arrangements for the Initial margin Model Validation function under EMIR for ISDA SIMM (EBA/DC/610), users of the ISDA SIMM validation system, including counterparties onboarded to it, shall provide the EBA through the validation system or through any other means deemed appropriate by the EBA with any additional information and data that EBA will consider necessary for the performance of its validation function.

In accordance with Article 11(3), fourth subparagraph, EMIR and the DA on fees, counterparties have to provide the EBA with the information necessary to determine the fees for the validation.

Given the mandate of the EBA to validate the IM pro forma models and the identified data needs coming from interactions with different stakeholders and taking into account the EBA/DC/610 and the DA on fees, this consultation paper puts forward a comprehensive proposal for regular reporting of standardised information to the EBA by the users of the ISDA SIMM.

This section presents the cost-benefit analysis of the provisions included in this consultation paper. The analysis provides an overview of identified problems, the proposed options to address those problems and the costs and benefits of those options. The IA is high-level and qualitative in nature.

A. Problem identification and Baseline scenario

Article 11(12a) EMIR requires EBA to set up a central validation function for the elements and general aspects of 'pro forma models' used by financial counterparties and non-financial counterparties. Where a counterparty uses an Initial margin model based on a pro forma model, they must apply to their competent authority to obtain an authorisation, while the EBA needs to extend its validation decision to the counterparty. Competent authorities can only authorise the use of an initial margin model based on a pro forma model by a counterparty, where the pro forma model has been validated by EBA. Counterparties that have obtained validation from the EBA are liable to pay the EBA an annual validation fee.

To carry out such tasks and receive the appropriate fees, the EBA and the competent authorities need to have access to specific information related to OTC trading activities subject to initial margins, information for the purposes of the fee calculation and information about the use and performance of ISDA SIMM and the initial margin model built on it.

Currently, this information is not collected or reported in a regular, structured and harmonised manner across reporting entities. Without such information, the EBA and competent authorities would not be unable to carry out their tasks in an efficient manner.

B. Policy objectives

The objective of the IMMV reporting is to set up regular and structured reporting requirements for the collection of information related to OTC trading activities subject to initial margins, information for the purposes of the fee calculation and information about the use and performance of ISDA SIMM and the initial margin model built on it.

This information will be used to fulfill EBA's role as a central validator of pro forma models and the competent authorities' role when authorising the use of an initial margin model based on a pro forma model by a counterparty.

C. Options considered, Cost-Benefit Analysis and Preferred Options

This section presents the main policy options discussed during the development of the CP, the costs and benefits of these options, as well as the preferred options included in the CP.

Where the CP does not identify a preferred option yet and instead seeks additional feedback from respondents, the corresponding impact assessment will be presented in the final version of the reporting requirements, taking into account the feedback received during the consultation.

This includes the calibration of the specific threshold separating entities with significant OTC trading activities, where the EBA is currently collecting data for the purposes of the calculation of fees, which will be the basis for calibrating the threshold as currently proposed. Specific consultation questions also seek feedback on this matter (questions 1 and 2).

In addition, it relates to the two distinctly different design choices of the templates (i.e. whether to report a more comprehensive set of granular information or report more aggregated information with granular deep-dives into a specific subset of information), input is sought from respondents via specific consultation questions (Questions 7, 9 and 10).

Proportionality

Option 1a: Full reporting by all reporting entities

Option 1b: Differentiation in scope and frequency of reporting between different subsets of entities

Under Option 1a, all reporting entities would be required to report the full set of data points and at the same frequency, irrespective of the scale of their activities. This option ensures consistent and fully harmonised reporting framework for all reporting entities, covering a broad and diverse population of users of initial margin models based on pro forma models, and maximises data availability for analytical purposes, in particular the detection of cases of systematic undermargining based on the models. However, it imposes higher implementation and ongoing compliance costs, that may be disproportionate for smaller reporting entities.

Under Option 1b, a proportionate approach would be introduced, whereby reporting entities with smaller scope and size of activities would only be required to report a limited subset of data points at a lower frequency. Reporting entities with more significant activities would remain subject to the full reporting requirements. This approach reduces the implementation and operation costs for reporting entities with less significant activities. However, it will also narrow the set of information available to make a judgement on the quality of the pro forma model.

With the objective of limiting the cost of compliance with reporting requirements, as suggested in the EBA Report on the efficiency of the regulatory and supervisory framework, **Option 1b is preferred.**

Definition of eligibility criteria for the proportionate regime

Option 2a: Use the EMIR threshold which distinguishes between 'significant market players' and 'less significant market players'

Option 2b: Use an alternative threshold based on the OTC trading activities of the reporting entities.

Under EMIR, credit institutions or an investment firms that have, or belong to a group that has a monthly average outstanding notional amount of non-centrally cleared OTC derivatives of at least EUR 750 billion are classified as 'significant market players' and are subject to more intense supervisory scrutiny compared to other counterparties. The EMIR threshold considers both the volume of trading activities determined at the level of the group and type of authorisation (credit institution / investment firm vs. others) of the counterparty itself.

While reusing this threshold leads to a simpler framework with one and the same measure used as reference, the EMIR threshold has two drawbacks for the purpose of a defining eligibility criteria for a proportionate regime: a) the group-level focus means that counterparties may be considered 'significant', even if they themselves (i.e. at individual level) are engaged in very limited OTC trading activities, and therefore can provide only limited information or feedback on the performance of the initial margin model (and the pro forma model in particular); b) the focus on credit institutions and investment firms means that a few counterparties that are neither credit institutions nor investment firms, but use the initial margin model quite extensively, would be excluded as a source of observations on the performance of the initial margin model (and the pro forma model in particular).

Option 2b only considers the OTC trading activities of the reporting entities with the aim of distinguishing between entities that have significant trading activities and the ones that have more limited activities. Given that this criterion does not distinguish between the type of institution, it will treat all type of reporting entities similarly and simply distinguish based on their amount of trading activity. However, for the quantitative threshold, it still uses the same reference measure (albeit considering a different level of that measure) that also EMIR uses to measure significance.

Option 2b is preferred.

5.2. Overview of questions for consultation

5.2.1. The reporting population

Question 1. Do you agree that the criteria set out in Article [1] of this decision support the identification of reporting entities with significant OTC trading activities?

Question 2. Do you have suggestions for an alternative criterion, or alternative criteria (including, where relevant threshold(s)), for identifying counterparties with (individually) significant OTC trading activities? If your proposal includes a threshold, please specify both the reference measure (e.g. initial margins, AANA) and the level you deem appropriate (if the threshold is expressed in monetary terms, please specify it in EUR).

The population of entities reporting the more comprehensive set of information that is selected based on these criteria should be sufficiently broad and diverse to support identifying weaknesses of the pro forma model, ideally include at least one entity of every group engaged in OTC trading activities in the EU as well as standalone entities with significant OTC trading activities. The criterion or criteria should be easy to assess and monitor, without significant cost of compliance for monitoring the entity's position towards the threshold. Please explain how your suggested criterion or criteria meet these requirements.

5.2.2. Link to EMIR trade repositories reporting

Question 3. Do you agree with the use of the 'collateral portfolio indicator'/ UTI as tool to make the link to the EMIR trade repositories reporting? Do you see issues arising when trying to make that link? Are the assumptions regarding the link between netting sets, margined portfolios and these identifiers plausible? Could it happen that a netting set comprises more than one margined portfolio where the initial margin is computed using an initial margin model based on ISDA SIMM, and if yes, are such cases frequent? What other identifiers could be used?

5.2.3. Activities (V 01.00)

Question 4. Do you usually monitor, and keep a record of, the initial margins calculated / collected as of each business day? What is the cost of compliance associated with reporting the maximum and average values for the month?

Question 5. Do you see a need to provide entities other than those engaged in significant OTC trading activities with the discretion to omit the breakdown by method for calculating the margin in template V 01.00? Are there particular challenges to providing the breakdown of the number of counterparties and the initial margins by method for calculating the margin, i.e. is there a particular cost of compliance associated with providing that breakdown?

Question 6. Do you think an (im)materiality threshold should be introduced (i.e. for example, should counterparties only be counted if the total initial margin calculated for all transactions with that counterparty amounts to at least EUR 500 000? Is the determination of the number of counterparties in such a case associated with a high(er) or low(er) operational cost?

5.2.4. Information for the purposes of calculating the fees (V 02.00)

Question 7

What are your views on the alternative approach of collecting the information on initial margins, rather than the transformed notional amount under the main method and first alternative method? Do you prefer

- Option A: The reporting of the equivalent notional amount, in the version of template V 02.00 shown in the annex or
- Option B: The reporting of more granular information of the initial margins, as described in the alternative solution above?

5.2.5. Margin disputes (V 10.00 and V 11.00)

Question 8. Do you consider 500 000 EUR to be an appropriate amount to determine the relevance, and therefore materiality of a formal margin dispute? Would you support a higher/lower threshold, and for which reasons?

Question 9. Considering both the definition of 'margin disputes' and the frequency of their occurrence, what are your views on the alternative approach of collecting only granular information, but for all disputes, in V 11.00? From a cost perspective, what is less burdensome for you:

- Option A: The two templates presented in this consultation paper
- Option B: Extending the collection of granular information in template V 11.00 to cover all formal margin disputes and dropping template V 10.00).

5.2.6. Adjustments to the initial margin and non-use of the model (V 12.00, V 13.00, V 14.00)

Question 10. Considering both the definition of 'adjustments' (which may require further clarification) and the frequency of their occurrence, what are your views on the alternative approach of collecting only the granular information, but on all adjustments applied during the reference period?

5.2.7. Back-testing results (V 15.00, V 16.00, V 17.00)

Question 11. For technical reasons, template V 16.00 must have a unique row key. The combination of the ID of the margined portfolio, the horizon type and the portfolio population (static/dynamic) is assumed to be unique. Should you be aware of instances where this combination is not unique (e.g. back-testing performed for one and the same netting set, horizon type and portfolio population, but using different kinds of P&Ls), please describe them in your response.

5.2.8. Other issues

Question 12. Do you have any other comments on this proposal for reporting for the purposes of validating and monitoring pro forma models, and authorizing the use of the initial margin models based on them? Are the templates and instructions on how to fill them in clear?