

Solving the SIMM challenge

With the BCBS Uncleared Margin Rules for initial margin applying additionally to phase 5 banks in 2021 and phase 6 banks in 2022, more firms are faced with the computationally-intensive task of initial margin calculation for collateral exchange. Finastra's ISDA-licensed, and fully certified, SIMM solution can support every step of this complex process.

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Whether your organization needs a complete SIMM solution or an individual component, Finastra can help."

From 1 September 2021, Phase 5 of the BCBS Uncleared Margin Rules comes into force, compelling all banks with an OTC derivative average aggregated notional amount (AANA) of more than €50 billion to comply with BCBS/IOSCO regulations for uncleared OTC derivatives. For Phase 6, banks with an AANA of more than €8 billion the effective date is 1 year later from the 1 September 2022.

The rules, which are already in force for larger institutions, require both parties in a transaction to compute the initial margin for collateral exchange. The ISDA SIMM methodology, introduced in 2016, has been widely adopted in the industry to become the de-facto standard for banks required to compute initial margin on non-cleared derivatives.

Computationally-intensive calculation

Under this model, a trade is assigned to one product class that reflects the main risks, and the initial margin for each product class is calculated separately. Although SIMM provides firms with a ready-made model, the sensitivity calculations involved are extremely computationally-intensive, requiring firms to have access to sophisticated infrastructure and capabilities. Sensitivity calculations are also made more complex by the need to include ISDA's treatment of cross-currency basis swaps.

Calculating and pledging initial margin is a multi-step process. Once sensitivities are calculated by risk factor and transactions, data needs to be translated into common risk interchange format (CRIF) so it can then be consumed by a SIMM calculator.

Full stack or individual components

Finastra offers a complete solution for banks that need to comply with the initial margin regulations for OTC derivatives. From risk sensitivities to CRIF formatting and SIMM calculation, we can provide individual components or an end-to-end solution that covers everything from trades to ready-to-pledge initial margin.

ISDA-certified

Finastra's ISDA licensed and certified SIMM micro-service has passed all ISDA-tests ie. for all risk factors of any in-scope asset class, for regulatory add-ons and multipliers, for 10D as well as for the 1D horizon used in back-testing

Finastra's SIMM solution

Micro-service based architecture working out-of-the box on top of Fusion Summit allows for a fast time to market, low cost, flexible and future proof solution.



Fast time to market

Easy to install and fully integrated with Fusion Summit trades



Future-proof

Automatically covers new trade types in your portfolio by design, as well as pricing model and curve updates in Fusion Summit



Trust-worthy

The solution is fully ISDA certified, which means our SIMM calculator passed successfully all the ISDA comprehensive set of unit tests; based on Fusion Summit's robust, well-proven analytical framework

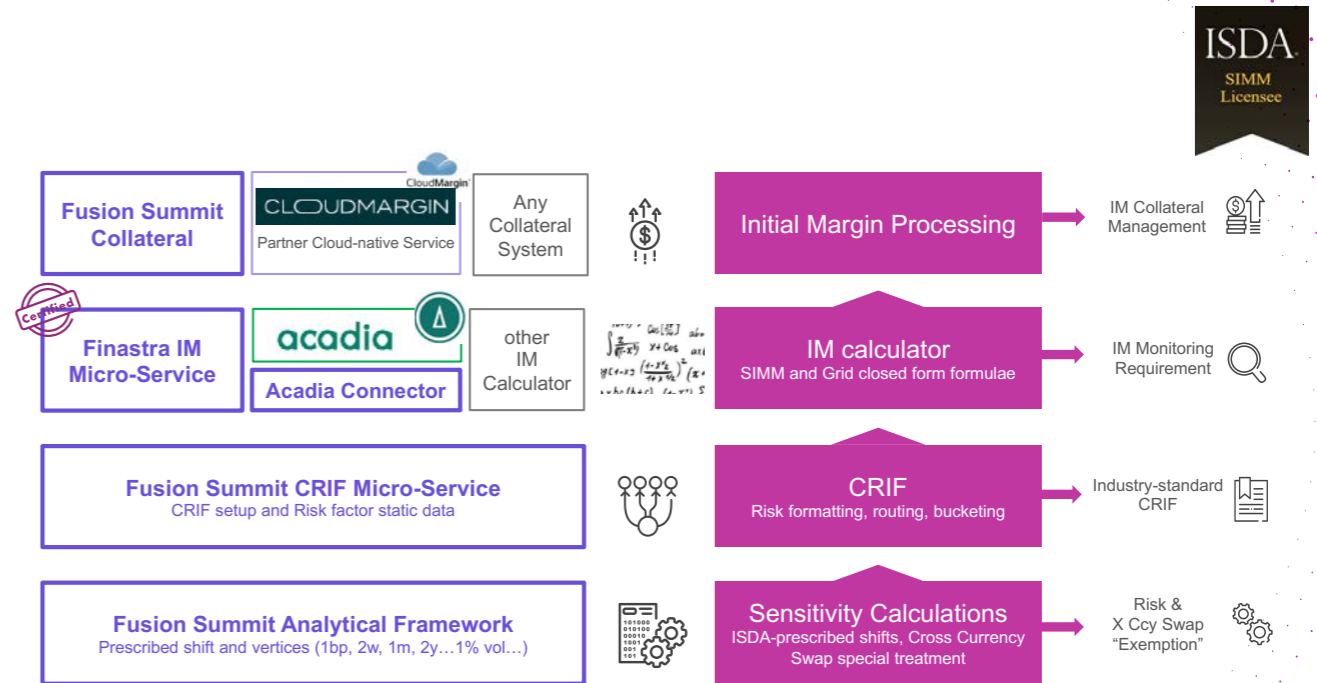


Flexible

Micro-services allow you to choose the parts of the process you need, from cross-currency swap exemption to CRIF to SIMM calculation to pledging initial margin from Fusion Summit or a 3rd party collateral management tool

How it works

End-to-end from Fusion Summit trades to ready-to-pledge initial margin



Implementing your SIMM solution

Whether your organization needs a complete SIMM solution or an individual component, Finastra can help. The Fusion Summit risk engine has the power and sophistication needed to carry out sensitivity calculations, and also takes into account **ISDA's treatment of cross-currency swaps**. For banks that need it, Fusion Summit's CRIF microservice maps data into CRIF format ready to be consumed by SIMM calculators.

At this point, our own SIMM microservice can calculate initial margin if required. Alternatively you might prefer to use our Acadia connector to rely on Acadia's IM calculator. Finally, you have Initial Margin numbers ready to process in Fusion Summit, or in a third party collateral system.

For more information, visit <https://www.finastra.com/contact/sales>

About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top 100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at [finastra.com](https://www.finastra.com)

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