ISDA SIMM® REMEDIATION ANNEX

to the ISDA SIMM Governance Framework

July 15, 2022

1. Introduction

The ISDA SIMM Governance Framework (the "Framework") sets out the principles under which the ISDA Standard Initial Margin Model ("SIMM") will operate and the process through which it will be reviewed and amended on a consistent and transparent basis. Specifically, the Framework provides for:

- Global SIMM governance and development in coordination with SIMM users and regulators; and
- Firm level portfolio monitoring including the adequacy of SIMM coverage at the counterparty level by each firm, the escalation of issues to ISDA, and remediation of associated risk coverage shortfalls of SIMM.

This annex contains the thresholds, procedures, and timelines to supplement the principles contained in the Framework.

Under the terms of the license agreements required by ISDA, SIMM users are required to implement SIMM pursuant to the documentation provided by ISDA. Such documentation includes, but is not limited to, the version of the ISDA SIMM Methodology currently in effect, the current version of the Risk Data Standards and the governance requirements provided in the Framework, as supplemented by this ISDA SIMM Remediation Annex.

2. Monitoring, reporting and remediation thresholds

The following thresholds apply in respect of section III.A. of the Framework:

2.1 The Portfolio Monitoring Threshold is a SIMM margin amount of EUR 50 million.
2.2 The Reporting Threshold is a SIMM shortfall amount of at least EUR 25 million and 15% of the portfolio SIMM margin amount.
2.3 The Remediation Threshold is a SIMM shortfall amount of EUR 50 million and 15% of the SIMM margin amount.
2.4 The Portfolio Monitoring Frequency is quarterly (every 3 months).

3. Remediation procedures

The following procedures supplement the Remediation principles specified in section III.D. of the Framework:

3.1 Firms must remediate any portfolio which, on a testing day, is 'Red' and has a "1+3" shortfall in excess of the remediation threshold, as specified in section 2.3 above.
3.2 Firms may agree, but are not required, to remediate portfolios which are 'Amber' or have a shortfall less than the remediation threshold in section 2.3 above;
3.3 Remediation actions, as listed in section II.C. of the Framework, should make the portfolio go 'Green';
3.4 Changes to the portfolio's trade composition, whether managed or unmanaged, are not treated as remediation actions;
3.5 Remediation continues for as long as the un-remediated portfolio requires remediation. The remediation measure (such as the fixed add-on amount or the SIMM multiplier) may need to vary to ensure that the remediated portfolio is kept as 'Green';
3.6 The decision on whether or not to remediate a portfolio depends only on its current state and does not depend on its backtesting history;
3.7 Testing can take place more often than once a quarter if a firm wishes.

4. Remediation timelines

The following remediation timelines apply in respect of section III.E. of the Framework:

4.1 Issues should be communicated from one party to the other within 20 business days of the testing date; and

4.2 Counterparties should agree the issue and complete remediation actions within 40 business days following notification of the issue by one party.