1. Why does ISDA require an ISDA SIMM license?

ISDA is a not-for-profit industry association whose mission is to foster safe and efficient derivatives markets and facilitate effective risk management for all users of derivatives products. As part of this mission, ISDA developed the ISDA SIMM, which is a risk-based model for determining initial margin (IM) on uncleared trades that is regulatory compliant. There is significant expense involved in maintaining this model and ensuring it continues to meet the requirements set out by global regulators. Licensing the ISDA SIMM provides for the ongoing maintenance of the model, provides quality control over the use of the model and ensures it remains a consistent standard model to provide an efficient means for determining regulatory IM.

2. Who needs to license the ISDA SIMM?

All market participants that utilize the ISDA SIMM are required to obtain a license from ISDA for its use. This includes vendors that provide ISDA SIMM-based services, administrators or vendors that use third-party SIMM-based services as part of their own service offerings and end-users of the ISDA SIMM margining their trades utilizing the model. ISDA has different licenses for different types of end users, administrators and vendors.

3. What licenses are available to vendors and what constitutes a vendor or administrator?

A vendor is any entity providing an ISDA SIMM-based service or product. This includes any informational services that provide or use calculations or comparisons based on the ISDA SIMM model or the creation of inputs into the model (e.g., CRIF files and sensitivities). An administrator is any entity providing ISDA SIMM-based services or products to clients that utilize the calculations produced by a third-party. Vendors and administrators should contact ISDA (isdalegal@isda.org) for more information on the licensing requirements.

4. What end user licenses are available and what is the cost?

ISDA’s licensing model is based on cost recovery of the significant cost of maintaining the ISDA SIMM model and based on the use it receives from market participants and vendors. A fee-based license is required for all firms that were subject to regulatory initial margin prior to September 2020. If you were subject to regulatory initial margin prior to September 2020 and have not yet licensed ISDA SIMM, we encourage you to contact
ISDA for an overview of what the ISDA SIMM model can do for you and the license details (isdalegal@isda.org).

For those users either directly or indirectly subject to regulatory initial margin as of September 2021 (phase 5), September 2022 (phase 6) or as of any regulatory IM compliance date thereafter, you may sign-up for a license on ISDA’s website here. There is no fee for phase 5+ users. In addition, for users not subject to regulatory margin that wish to use the ISDA SIMM, you may also sign up on ISDA’s website for a no-fee license.