

## **EU Pro Forma Model Authorisation**

[EMIR 3.0](#) came into effect on December 24, 2024, amending the requirements for margining of non-centrally cleared derivatives in Regulation (EU) No 648/2012 to add an authorization requirement for the use of IM models for calculating initial margin and establish the European Banking Authority (EBA) as the central validator for “pro forma model[s]”. Once the EBA authorizes a model via engagement directly with the model administrator, the relevant national competent authority (CA) is responsible for granting authorization to an EU legal entity. For [Significant Institutions](#) (SIs), the European Central Bank (ECB) will also be involved in the authorization.

To avoid disruption of the industry-wide use of ISDA SIMM® (SIMM) and to allow time for the EBA to establish its central validation function, revise the RTS on initial margin model validation (IMMV) (for certain credit institutions and investments) and issue corresponding guidelines for EU counterparties which fall outside the scope of the RTS, the EBA issued a [no-action letter](#) on December 4, 2024 which allows CAs to “refrain from prioritizing any supervisory or enforcement action in relation to applications received” for model authorizations. The letter also specifies the requirements for model authorization application until the EBA’s central validation function is established and the RTS is in effect. The ECB issued a corresponding [FAQ](#) relevant to SIs. ISDA obtained clarifications and accommodations from the EBA on the application requirements, following EBA consultation with ESAs and CAs to ensure a fully coordinated approach.

SIMM is a “pro forma model”, which is defined in the new Article 11(d) as “an initial margin model established, published, and revised through market-led initiatives.” Therefore, both financial and non-financial EU counterparties who are exchanging IM based on ISDA SIMM are subject to the authorization requirements for its use regardless of whom calculates the SIMM amounts.

[ISDA SIMM v2.7+2412](#) was published on May 22, 2025 and goes into effect on July 12, 2025, triggering the initial application requirement for its continued use by EU counterparties. As such, ISDA is providing guidance to ISDA SIMM users to promote awareness and facilitate a consistent approach to preparing data for the initial application. At the request of SIMM users, ISDA has also developed a generic template for the initial application. Use of the template is optional and at the discretion of each applying entity. The template can be found [here](#).

## **Guidance to ISDA SIMM users**

Based on information published by and obtained from EU authorities, ISDA is providing the following guidance to ISDA SIMM® users with respect to the requirement to obtain authorization for continued use of SIMM.

- **EU financial counterparties and non-financial counterparties who are currently *exchanging* IM based on SIMM should apply for authorization to use SIMM *before* July 12, 2025, the effective date of the next version of SIMM.**
  - The application requirement does not apply if a legal entity is threshold monitoring for *all* its relationships (i.e. has not exceeded the IM threshold). In this case, application should be made before the counterparty begins exchanging IM based on SIMM.
  - SIMM v2.7+2412 contains no model changes. Nonetheless, EU authorities determined that a recalibration of an existing model would trigger the initial application requirement. In the future, a pure recalibration of SIMM will not require reauthorization.
  - The initial application requirement applies regardless of the no-action relief provided to CAs allowing them to deprioritize the applications. In its FAQ, the ECB also affirmed it will pause the processing of IM model applications. The applications need to be submitted even though they may not be actioned in the near term by authorities.
- **The initial application should be made by each EU counterparty to its relevant competent authority as applicable in the relevant Member State.**
  - [Significant Institutions](#) (SIs) should also address their application to the ECB. If more than one legal entity in a banking group is using SIMM, a joint application should be submitted by the parent institution with the data for each legal entity.
  - No application should be submitted to the EBA until further notice. This will apply after the EBA has established its central validation function.
  - Further questions in this regard should be addressed by counterparties to their relevant CA.
- **The application should include the information specified in the Annex to the [EBA's no-action letter](#), subject to the following clarifications/accommodations:**
  - Average Aggregate Notional Amount (AANA)
    - As with the initial application of IM requirements, AANA is calculated at the group consolidated level. The 2025 AANA may be submitted instead of 2024 AANA, if available.
    - In order to alleviate challenges associated with AANA calculation, applying entities may instead provide the information that its group AANA exceeds the relevant phase-in threshold (i.e., >€3 trillion, >€2.25 trillion, >€1.5 trillion, >€0.75 trillion, >€50 billion or >€8 billion).
    - Should counterparties encounter difficulties to produce AANA information, reasons for this should generally be discussed with the relevant CA.

- Total IM and Total IM mod
  - IM amounts should be provided as part of the application using the most recent data available at the time the application is prepared. There is no specified Reference Date.
  - As the initial application is due prior to the effective date of SIMM v2.7+2412, the IM amounts reported will be based on SIMM v2.7. Applicants do not need to conduct special calculations based on SIMM v2.7+2412 for their initial application.
  - Total IM is the sum of the applying entity's IM amounts in EUR (€) for all regulatory margin portfolios that are exchanging IM. The portfolio IM amounts which are summed are *exclusive of the IM thresholds and based on the collect amounts only*.
  - Portfolios which are not exchanging IM may be excluded from the Total IM amounts. This may be those with a CSA that are below the threshold or those that are threshold monitoring without a CSA. If either of these groups are not practicable to exclude, they may be included.
  - If the exclusion of the portfolio IM Threshold amounts is not practicable, the figures may be reported inclusive of IM Thresholds. This may be specifically challenging for the Total IM\_mod amount since thresholds are applied to the total IM amount calculated by all methods and thus the SIMM amount post-threshold may not be available.
  - The Total IM\_mod amount is the subset of the Total IM amount which was calculated based on ISDA SIMM, excluding the amount based on any other method (e.g. regulatory schedule or an internal method).
  - In order to alleviate potential issues linked with producing the Total IM and Total IM\_mod amounts, applying entities that have a group AANA below €50 billion (i.e. Phase 6) may, for the purposes of application under the no action letter, be exempted by their CA from providing Total IM and Total IM\_mod.
- Total IM\_mod calculated using counterparties' IM models:
  - In the event an applying entity relies on the SIMM calculation of its counterparties for some or all of its portfolios, report the percentage of the total SIMM IM amount calculated by your counterparties.
  - Use of a vendor by the applying entity to calculate IM does not constitute use of a counterparty's IM model.
  - If an applicant is not already exchanging IM based on SIMM, but is applying in advance of doing so, they may not yet have a SIMM amount to report. In this case, at first application, a value of 'zero' for 'Total IM\_mod' may be reported.

➤ **Requirements following initial application:**

- Prior to entry into force of the RTS and guidelines, an updated application should be sent to the CA(s) and ECB (if applicable) on a yearly basis. In its FAQ, the ECB advises the updated information should be submitted by March 31.
- The updated application should include a refresh of all the information specified in the initial application. As it is a pro forma model, a list of changes to SIMM do not need to be included with the updated application.
- Following the entry into force of the IMMV RTS and corresponding guidelines, the application may need to be further updated based on the final requirements.

**Additional Guidance:**

BaFin has published an excel template on their website which should be used by German firms for their initial applications to BaFin and Bundesbank, as relevant. It could presumably be used for application to other CAs as well, if desired. The instructions can be found here: [BaFin - OTC Derivatives - EMIR](#) under Article 11 and template [here](#).