

ISDA Wins Risk’s Innovation in Technology Award For ISDA SA Benchmarking

NEW YORK, February 17, 2021 – The International Swaps and Derivatives Association, Inc. (ISDA) has today been recognized in the Risk Awards 2022 for the ISDA Standardized Approach (SA) Benchmarking initiative, which has won the Innovation in Technology category.

ISDA’s benchmarking offering provides users with detailed analysis to support the consistent and accurate implementation of capital models under the standardized approaches for market risk, credit valuation adjustment risk and counterparty credit risk. The initiative is powered by ISDA’s in-house technology platform, Perun™, which enables participating banks to perform accurate and automated analysis of complex risk data.

The benchmarking initiative started in 2018 with a pilot group of 15 UK supervised banks and with the support of the Bank of England. Since then, 69 banks around the world have participated, including 23 global systemically important institutions, and 16 regulators have used the data to monitor implementation in their jurisdictions. In addition, 12 technology vendors have licensed ISDA’s unit tests, maximizing the benefits of standardization across the industry.

“We are delighted that the vital contribution of ISDA SA Benchmarking has been recognized by these prestigious industry awards. The increased use of standardized approaches to calculate capital is an integral part of Basel III implementation. This solution builds on ISDA’s existing work with the ISDA Standard Initial Margin Model and the establishment of the first risk bucketing exercise. We are committed to expanding our services to deliver valuable technology-based solutions to our members and improve transparency for regulators,” said Scott O’Malia, ISDA’s Chief Executive.

The benchmarking process begins with a unit test, which gives banks a prescribed set of input sensitivities and reference data that they run through their SA engine to achieve alignment with ISDA’s golden source results. This is then followed by a more detailed hypothetical portfolio exercise, in which banks carry out the end-to-end capital calculations with a set of hypothetical trades and submit them to ISDA for analysis. A final report is generated, which presents the results and explains any variance.

The development of Perun, which leverages existing standards such as ISDA’s Common Risk Interchange Format, has enabled the automation of much of the analysis and the delivery of detailed, customized reports to banks and regulators. Perun is coded in Python and allows users to drill down into specific data for relevant subsets of banks, portfolios or risk types, helping to identify patterns and trends across the results and to quickly categorize any sources of capital divergence. Banks can now access the Perun platform directly to perform their own independent analysis.

“Benchmarking can be a very powerful tool, but only if it is done properly and the findings are fully explained. Historically, many benchmarking initiatives have not been able to identify and explain variations in the output from capital models. The ISDA SA Benchmarking offering enables banks to anonymously see how their models perform relative to their peers, but also explains observed variances, helping banks to identify any necessary remediation action,” said Mark Gheerbrant, Global Head of Risk and Capital at ISDA.

To read the Risk.net article, click [here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 970 member institutions from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association’s website: www.isda.org. Follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

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