

## SIMM™ - what questions should your firm be ready to answer?

- Have you scheduled a meeting with your prudential regulator to discuss gaining permission from them to use SIMM™?
- Governance - does your proposed risk policy and governance framework meet the key regulatory requirements such that neither will be an impediment to you using SIMM™?
- Can you make a coherent case for why the generic ISDA SIMM™ backtesting output supports your request to use SIMM™ for your own bilateral business?
- Have you produced your own portfolio specific backtesting output? Will the dataset utilized pass regulatory scrutiny in terms of integrity?
- Can you make a coherent validation case for using SIMM™ for your own bilateral derivatives business based on this backtesting output?
- Can you benchmark SIMM™ against an appropriate VaR model to monitor its level versus an equivalent CCP risk measure (DCO monitoring)?
- Are you confident of repeating this backtesting process on a quarterly basis and the validation process on an annual basis?
- If you gain permission to use SIMM™, are you confident of meeting the regulatory required, monitoring and backtesting requirements on an on-going basis?
- Are you confident your use of SIMM™ could operate reliably and to minimum regulatory requirements through a market or counterparty stress event?

Any firm wishing to 'gain and maintain' compliance to use SIMM™ to calculate initial margin for its bilateral derivative relationships will need to navigate the above issues both prior to using the model then on an on-going basis as per regulatory requirements.

BOSTON

93 Longwater Circle,  
Norwell, MA  
02061

NEW YORK

1450 Broadway  
7th Floor  
New York,  
NY 10018

LONDON

Broadgate Quarter  
One Snowden Street  
London  
EC2 2DQ

TOKYO

Level 11  
Aoyama Palacio  
Tower  
3-6-7  
Kita-Aoyama  
Minato-Ku  
Tokyo  
107-0061

[www.acdiasoft.com](http://www.acdiasoft.com)