

## Risk Blog

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# EBA publishes Final Draft RTS and Opinion Letter on Initial Margin Model Validation under EMIR

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On July 3, 2023 the EBA published both the Final Draft Regulatory Technical Standards (RTS) and a corresponding Opinion Letter on the Initial Margin Model Validation (IMMV) of over-the-counter (OTC) derivatives' initial margin models for institutions under the European Markets Infrastructure Regulation (EMIR).

In line with earlier draft versions, the final draft RTS requires all institutions to undergo an initial supervisory validation for the internal model on initial margin. In the case of material changes or extensions to the model, defined by a combination of significant changes in the initial margin and a number of trigger events, an ongoing supervisory validation is required. This is independent of the model being internally developed or the model being purchased, as in the case of ISDA Standard Initial Margin Model (ISDA SIMM) which the EBA acknowledges as the widely used market standard in the final draft RTS. Requirements are differentiated based on an institution's volume of OTC derivatives activity, providing smaller market participants with a simplified validation process and a later deadline for requesting an initial supervisory validation.

Most noteworthy is that the EBA published an opinion letter alongside the final draft RTS, in which the EBA discusses (1) to reduce the regulatory scope of application of the RTS and (2) whether the initial and ongoing validation should be carried out by a centralized validator at the EU level.

More information on this topic can be found in the cost-free registration area of PwC Plus: [Link](#)

## Keywords

EMIR (European Markets Infrastructure Regulation), EMIR (technische Standards)

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