

# IM Backtesting & Benchmarking



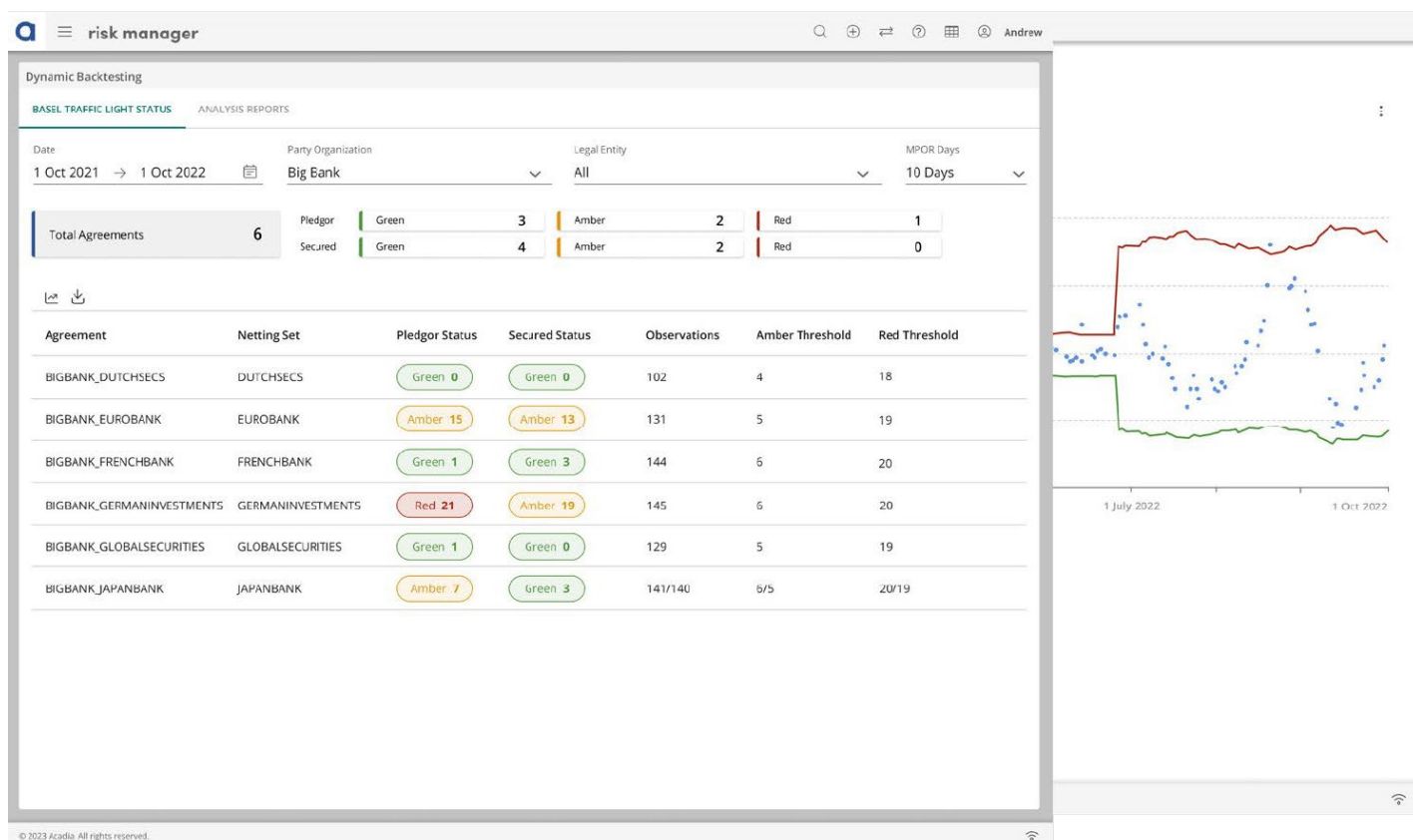
## Utilise a proven process to help achieve regulatory compliance

We offer an ISDA SIMM™ static or dynamic Backtesting & Benchmarking Service that includes both back-testing of SIMM™ over a historical period and benchmarking SIMM™ against four industry-standard risk methodologies to assist in monitoring the effectiveness of SIMM™ as a margin model.

We know that complying with the latest regulations can be burdensome. It requires your firm to have access to experienced resources, investment in IT systems, a complete set of historical market data and a thorough understanding of the requirements in a timely and repeatable process. We bring firms a unique and cost-effective Backtesting and Benchmarking service for Initial Margin calculations that can be put in place ahead of regulatory approval or as a substitute for costly internal processes. In line with industry best practice, clients can choose either static or dynamic backtesting for their statistical output.

### New User Interface Features

New user interface released in 2023 to provide an up to date view of the dynamic backtest allowing firms to monitor day over day any exceptions, and apply any remediations required to resolve those exceptions.



The dashboard shows traffic light status for all counterparties and agreements, against pledgor and secured. Detailed drill down charts allows exceptions to be identified and trends observed over time.

## Key Features

- Transparency: standard, open process enables firms to fully understand and monitor SIMM™ performance over a quarter as well as provide materials for regulatory review
- Static backtesting: holds the portfolio information and SIMM™ constant, then calculates historical P&L's by applying a rolling 10-day risk factor market movements to the constant quarter-end portfolio
- Dynamic backtesting: portfolio information and SIMM™ evolve day-over-day, and actual P&Ls are calculated based on realised risk factor market movements over 1-day or 10-days following each portfolio date
- Quarterly reports are available for download to ensure firms can access reports as soon as published
- Data security: clients upload portfolios in a secure, tested environment
- Standardised market data: all users share common market data provided by market-leading, independent sources
- Standard portfolios/risk factors: includes standard portfolios and risk factors for performance to be monitored through changing market conditions
- Intelligence: the service uses differing specifications to allow for a more thorough understanding of the model's performance, including benchmarking of SIMM™ against multiple metrics:
- Full Revaluation Historical Simulation VaR-quantile of the empirical distribution generated by the full revaluation P&L vector
- Historical Simulation Taylor VaR-p-quantile of the empirical distribution generated by the sensitivity based P&L vector
- Non-normal Parametric VaR-Parametric VaR output for some benchmarks will use non-normal, 'fat tailed' distributions such as Student T or General Pareto distributions
- DCO (CCP) monitoring – DCO (CCP) margin model specifications will be mirrored in the benchmarking VaR methods to ascertain what a CCP would calculate for an equivalent risk
- Ad-hoc backtests: the service provides for ad-hoc backtests to support clients' use of SIMM™ through volatile or changing market conditions
- Full support for Risk Free Rates (RFR) following the transition from LIBOR
- Monitor and support RFRs into the OIS Sub Curves of each respective currency
- Calculate and support current LIBOR based curves
- Monitor and apply the appropriate fallbacks to SOFR as prescribed by the industry and ISDA
- Seamless transition to when IBORs are discontinued
- Ability to source market data to value SOFR and all global risk free rates based product

## Key Benefits

- Lower cost through mutualisation
- Reduced regulatory and operational risk by utilising an industry standard process that achieves maximum automation
- Validation of internal processes – useful comparison tool
- Regulator ready, detailed quarterly report provided
- Voice of the industry – Our service was developed with the industry via extensive input from working groups

**Book a demo or contact us  
for more information.**

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