

DataForce

by *OmniRisks*

Introduction

In response to the economic and financial crisis in 2007 – 2008, the Group of Twenty nations initiated a reform program to covering over-the-counter (“OTC”) derivatives markets and market participants to mitigate systemic risk posed by OTC derivatives transactions, markets and practices. As part of that effort, regulators have made it prohibitively expensive to depart from ISDA’s Standardized Initial Margin Model (“SIMM™”) for uncleared OTC derivatives. However, regulators also require full model risk management compliance for using SIMM™ which places the highest standard for the market data using.

DataForce – Advisory Service & Technical solutions

DataForce brings together OmniRisks’ core Model Risk Management expertise, over 10 years’ experience in delivering production enterprise grade solutions for the financial services and over 3 years’ experience working in all aspects of ISDA’s SIMM™ (incl. regulatory), to offer a complete offering covering all your data needs related with SIMM™ (OmniRisks is an ISDA SIMM™ licensed vendor):

- Setup and Planning
- Model Development & Implementation (including vendor model)
- Model Documentation
- Model Governance
- Technical solutions: our technical solutions are cloud-based, responsive, scalable and secure
 - User friendly GUIs, API’s and libraries for easy installation and integration
 - 100% coverage testing suite
 - Inputs generation and validation
 - Back testing framework
 - IM optimization
 - Reconciliation/Investigation
- Model Validation
- Closing of findings and/or MRA’s
- Ongoing Monitoring (incl. Risk-Not-in-SIMM™)
- Training
- Qualified resources

The screenshot displays the DataForce application interface, which is a spreadsheet-based tool for risk management. The top menu bar includes File, Home, Insert, Page Layout, Formulas, Data, Review, View, Developer, and Help. Below the menu is a ribbon with 'IM Calculation' and 'Risk Factors' tabs. The main workspace shows a spreadsheet with columns A through M and rows 1 through 26. The spreadsheet is divided into several sections: 'Settings' (rows 4-9), 'Portfolios' (rows 10-12), and a large 'SIMM™' table (rows 13-26). The 'Settings' section includes fields for 'Item', 'Value', 'MPCR', 'Base Currency', 'Portfolio', and 'Portfolio ID'. The 'Portfolios' section lists three portfolios: 'ISDA-SIMM-UnitTesting-Benchmark-v2.212_CRF_C465.tst', 'ISDA-SIMM-UnitTesting-Benchmark-v2.212_CRF_C69.tst', and 'ISDA-SIMM-UnitTesting-Benchmark-v2.212_CRF_C71.tst'. The 'SIMM™' table is a complex grid with columns for 'Counterparty', 'Product', 'Risk class', 'IM', 'Bucket', 'SubBucket', and 'SIMM™'. It shows detailed data for 'Counterparty 1' and 'RatesFX', including various risk classes like 'IR', 'AUD', 'CHF', 'JPY', 'CHF', 'MDN', 'Vega', 'Curve', and 'BaseCorr'. The total SIMM™ value is shown as \$ 130,485,395,689.

Figure 1 – OmniRisks DataForce Excel Add-in screenshot

Are You in Scope?

Dealers are subject to IM requirements based on their Average Aggregate Notional Amount (“AANA”) in OTC derivatives. The following is the thresholds and phase schedule:

	Date	AANA Thresholds (EUR/USD)
Phase 5*	September 1st, 2020	> 50 billion*
Phase 6*	September 1st, 2021	> 8 billion*

Challenges

The OTC derivatives market faces significant challenges as new counterparties come into scope in the final phase of complying the UMR, which will occur on September 1 of 2020 and 2021*. An estimated 1,000+ counterparties are expected to be brought in scope during the final phase of URM, which leads to significant implementation challenges on both the operation and technology aspect of the participants:

- Market participants may have difficulty determining their AANAs and communicating them to counterparties in a timely manner.
- Newly in-scope counterparties (“NISC”) must amend and/or re-negotiate execute new credit support annexes (“CSA”), custodial arrangements, eligible collateral schedule and account control agreements with counterparties.
- Calculating IM will be difficult for NISCs, given differences in product scope between jurisdictions and between regulatory VM and IM.
- NISCs will face operational difficulties in building systems allowing the segregation of portfolios (legacy vs. in-scope portfolio) to account for multiple netting sets.
- Regulators requires NISCs to obtain regulatory approval on internal model and proper model risk management, which requires significant expertise, time and resources.

Contact Us

Reach out to us if you have any questions related to UMR compliance or our SimmForce solutions. We will be happy to get in touch and schedule a time to meet with you.



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* In July 2019, BCBS/IOSCO published revised “Margin requirements for non-centrally cleared derivatives” framework. Additional update may be required when local jurisdictions in the US and EU comment on the extension.