

IM Backtesting & Benchmarking

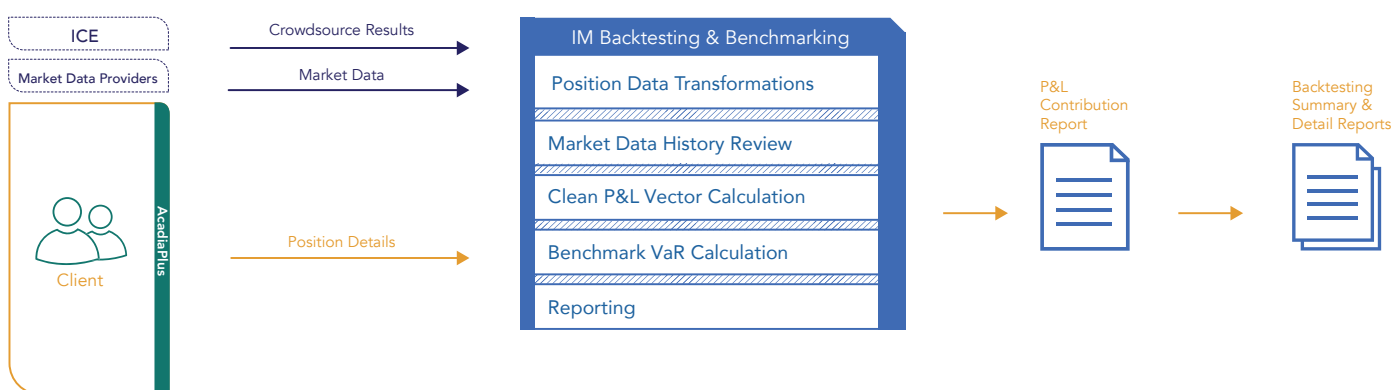
Utilize a proven process to help achieve regulatory compliance

Initial Margin Backtesting & Benchmarking is part of the AcadiaPlus Risk suite of services. AcadiaPlus is a feature rich open platform for collateral, margin and risk mitigation serving Sell-side, Buy-side and Fund Administrators.

AcadiaSoft offers 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. AcadiaSoft brings 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 are able to choose either static or dynamic backtesting for their statistical output.

IM Backtesting & Benchmarking inputs and outputs



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 realized risk factor market movements over the 10-days following each portfolio date.
- **Data security:** clients upload portfolios in a secure, tested environment

- **Standardized 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 through the upcoming Risk Free Rates (RFR) 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 and all global risk free rates 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 mutualization
- Reduced regulatory and operational risk by utilizing 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 on info@acdiasoft.com
Visit [acdiasoft.com](https://www.acdiasoft.com)

AcadiaSoft, Inc. is the leading industry provider of risk and collateral management services for the non-cleared derivatives community. AcadiaPlus is an open platform that provides the sell-side, the buy-side and fund administrators with specialist applications and a third party partner ecosystem for the straight-through processing of the entire risk mitigation lifecycle. Backed by 16 major industry participants and market infrastructures, AcadiaSoft is used by a community of more than 1100 firms exchanging approximately \$700B of collateral on a daily basis via its margin automation services.

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