FIS’ Bilateral Initial Margin Service
FIS’ Bilateral Initial Margin Service is a software as a service to compute margin for all requirements.

The Solution

- **Validate both sides of the margin**
  The solution supports the latest methodologies for the Schedule-Based and ISDA SIMM initial margin calculations in multiple jurisdictions, including the latest ISDA risk data standards. Post and Receive initial margin measures facilitate the reconciliation of counterparties’ SIMM values in addition to reporting of initial margin. Utilizing the industry standard CRIF format, reconciliation with your counterparty is simplified.

- **Understand your results**
  The engine comes equipped with an intuitive user interface and a suite of analysis tools, including navigation to explain all the components of the SIMM measure, drill-through to trade-level sensitivities and day-on-day SIMM explain. Integration with R, Microsoft Excel and other common business intelligence tools allows users flexible access to results.

- **Pre-deal analysis**
  The solution delivers fast, incremental and reliable what-if margin checks to front-office users through an ergonomic web user interface, allowing institutions to understand the full cost of derivative trades. What-if deals or sensitivities can be entered and as required, the sensitivities are generated in the engine using the comprehensive Adaptiv Analytics pricing libraries.

The Margin Reform regulation requires all financial institutions with significant bilateral trading activity to post bilateral initial margin when trading non-cleared OTC derivatives. This regulation is taking effect in waves, with the last institutions being swept up in September 2020.

The rules are driving many changes in credit risk and collateral management. Possibly the most challenging aspect will be that they will be agreeing and measuring the initial margin to be posted between covered counterparties. You have two options – a risk-sensitive methodology or the extremely punitive schedule-based approach. The industry has developed a standard with which to calculate the risk-sensitive methodology: the ISDA Standardized Initial Margin Methodology (SIMM).

Initial Margin is a completely new requirement for most firms. First, there is an operational challenge in being able to calculate the amount of margin to post and to check the margin posted by the trading counterpart. Second, how does this impact firms’ trading and hedging strategies due to the costs of funding the margin? Does it push derivatives to be centrally cleared? Does trading become too costly? Strategic repositioning takes years to carry out, so it is important that firms are making the investments now to manage impacts.
The Challenge

Implementing ISDA SIMM poses challenges for any financial institution. The SIMM measure is standardized, but not simple; there are many details requiring careful implementation. The "standard" also contains variations across jurisdictions and is evolving over time to capture more risk types. Firms need a calculation that is lightweight, uses industry standard input formats and is transparent, to simplify dispute resolution.

Such a calculation is required firstly for the end-of-day computation of initial margin obligations to each counterparty, but with front-office desks being charged for all the costs they incur, traders or treasurers will soon be demanding to know the SIMM amounts in advance of executing trades. The capability to perform high-performance what-if will inevitably be an important requirement for these stakeholders.

Initial margin is just one of many new requirements hitting financial institutions. Firms are looking to understand how to tick all these boxes in a cost-effective manner, while maximizing profitability. Developed with a Tier 1 partner bank, the FIS margin service allows you to get in front of the initial margin challenge.
How do you differentiate yourself?

How does a firm differentiate from the competition? You identify your strengths, invest in them and remove the weaknesses.

In the traditional model, where software is purchased from a vendor, clients are maintaining software, hardware and configuring for specific requirements and requests. Is this the best allocation of resources, or could this be outsourced to a trusted partner?

Risk as a service Model

FIS’ risk services or risk as a service allows the firm to outsource much more of the workload and concentrate on the steering of the firm to sustainable profitability.

FIS takes on all the provision of a one-stop solution: creating and calibrating the calculation, updating it to be in line with regulatory guidance, ensuring the service is 24/7 available, is backed with sufficient compute power and is providing best-in-class analysis tooling. All that is left for you is to get on with running the business.
What does FIS risk service do?

Being web-delivered, it ensures that you are up and running in days as no implementation is required.

- **Elastic scalability** – use as much or as little as you want
- **On demand information** – allow management views of data, via desktop or mobile, delivering easy drilldown to explain changes and flexible what-if tools to predict changes
- **Guaranteed methodology compliance** – ensures the service is always up-to-date with the latest methodology as FIS is an ISDA-licenced vendor
- **Drive calculation via UI or API** – allow to be embedded and called from the firm’s processes

This is all delivered through a subscription model, meaning no large upfront commitments. You can start light and scale up as required.

Looking to the future

With increasing overlap and intersection of regulations and costs, firms need to be able to manage all the regulatory numbers in a consistent and coherent manner. To be able to calculate the complete impact you need an impact assessment, which includes all the ratios, margins, cash-flow and capital impacts.

FIS is adding multiple services – FRTB Standardized Approach in early 2018, and CVA service later in the year. These services working together will provide the firm of the future the full picture to steer by.
About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor’s 500® Index. For more information about FIS, visit www.fisglobal.com.