Chapter 1

Commission Delegated Regulation (EU) 2016/2251

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Article 16 Calibration of the parameters of the model

(1) Parameters used in initial margin models shall be calibrated, at least annually, based on historical data from a time period with a minimum duration of 3 years and a maximum duration of 5 years.

(2) The data used for calibrating the parameters of initial margin models shall include the most recent continuous period from the date on which the calibration referred to in paragraph 1 is performed and at least 25 % of those data shall be representative of a period of significant financial stress ("stressed data").

(3) Where stressed data referred to in paragraph 2 does not constitute at least 25 % of the data used in the initial margin model, the least recent data of the historical data referred to in paragraph 1 shall be replaced by data from a period of significant financial stress, until the overall proportion of stressed data is at least 25 % of the overall data used in the initial margin model.

(4) The period of significant financial stress used for calibration of the parameters shall be identified and applied separately at least for each of the asset classes referred to in Article 17(2).

(5) The parameters shall be calibrated using equally weighted data.

(6) The parameters may be calibrated for shorter periods than the MPOR determined in accordance with Article 15. Where shorter periods are used, the parameters shall be adjusted to that MPOR by an appropriate methodology.

(7) Counterparties shall have written policies setting out the circumstances triggering a more frequent calibration.

(8) Counterparties shall establish procedures for adjusting the value of the margins to be exchanged in response to a change in the parameters due to a change in market conditions. Those procedures shall provide for counterparties to be able to exchange the additional initial margin resulting from that change of the parameters over a period that ranges between 1 and 30 business days.

(9) Counterparties shall establish procedures regarding the quality of the data used in the model in accordance with paragraph 1, including the selection of appropriate data providers and the cleaning and interpolation of that data.

(10) Proxies for the data used in initial margin models shall be used only where both of the following conditions are met:

(a) available data is insufficient or is not reflective of the true volatility of an OTC derivative contract or portfolio of OTC derivative contracts within the netting set;

(b) the proxies lead to a conservative level of margins.