ANNEX IV

Standardised Method for the calculation of initial margin for the purposes of Articles 9 and 11

1. The notional amounts or underlying values, as applicable, of the |OTC derivative contracts in a netting set shall be multiplied by the percentages in the following Table 1:

TABLE 1

Category	Add-on factor
Credit: 0-2 year residual maturity	2 %
Credit: 2-5 year residual maturity	5 %
Credit: 5+ year residual maturity	10 %
Commodity	15 %
Equity	15 %
Foreign exchange	6 %
Interest rate and inflation: 0-2 year residual maturity	1 %
Interest rate and inflation: 2-5 year residual maturity	2 %
Interest rate and inflation: 5+ year residual maturity	4 %
Other	15 %

2. The gross initial margin of a netting set shall be calculated as the sum of the products referred to in paragraph 1 for all OTC derivative contracts in the netting set.

3. The following treatment shall be applied to contracts which fall within more than one category:

(a) where a relevant risk factor for an OTC derivative contract can be clearly identified, contracts shall be assigned to the category corresponding to that risk factor;

(b) where the condition referred to in point (a) is not met, contracts shall be assigned to the category with the highest add-on factor among the relevant categories;

(c) the initial margin requirements for a netting set shall be calculated in accordance with the following formula:

Net initial margin = 0,4 * Gross initial margin + 0,6 * NGR * Gross initial margin.

where:

(i) net initial margin refers to the reduced figure for initial margin requirements for all OTC derivative contracts with a given counterparty included in a netting set;

(ii) NGR refers to the net-to-gross ratio calculated as the quotient of the net replacement cost of a netting set with a given counterparty in the numerator, and the gross replacement cost of that netting set in the denominator;

(d) for the purposes of point (c), the net replacement cost of a netting set shall be the bigger between zero and the sum of current market values of all OTC derivative contracts in the netting set;

(e) for the purposes of point (c), the gross replacement cost of a netting set shall be the sum of the current market values of all OTC derivative contracts calculated in accordance with Article 11(2) of Regulation (EU) No 648/2012 and Articles 16 and 17 of Delegated Regulation (EU) No 149/2013 with positive values in the netting set;

(f) the notional amount referred to in paragraph 1 may be calculated by netting the notional amounts of contracts that are of opposite direction and are otherwise identical in all contractual features except their notional amounts.

Changes to legislation:
Commission Delegated Regulation (EU) 2016/2251, ANNEX IV is up to date with all changes known to be in force on or before 10 March 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.
EUR 2016 No. 2251 may be subject to amendment by EU Exit Instruments made by both the Prudential Regulation Authority and the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 4. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s.
View outstanding changes

Changes and effects yet to be applied to :
– Regulation revoked by 2023 c. 29 Sch. 1 Pt. 13