

TO : **Regulated Entities**

- i. Cyprus Investment Firms**
- ii. UCITS¹ and, where relevant, their Management Companies**
- iii. Alternative Investment Funds ('AIFs')² established or managed in Cyprus and where relevant, their Alternative Investment Fund Managers ('AIFMs')**
- iv. Non-Financial Counterparties**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **December 12, 2025**

CIRCULAR NO. : **C740**

SUBJECT : **Data collection for onboarding of financial and non-financial counterparties subject to the obligation to apply for authorisation and validation for their initial margin models in accordance with Article 11(3) of Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories ('EMIR')**

The Cyprus Securities and Exchange Commission ("CySEC") wishes to bring to the attention of the Regulated Entities that on November 7th 2025, the European Banking Authority ("EBA") launched a formal [data-collection exercise](#) through competent authorities to identify all EU counterparties required to apply for validation of their ISDA Standard Initial Margin Models ("ISDA SIMM").

A. Regulatory Framework

1. According to article 11(3) of EMIR,

Financial counterparties and non-financial counterparties referred to in Article 10(1) shall apply for authorisation from their competent authorities before using, or adopting a change to, a model for initial margin calculation.

¹ UCITS set up exclusively for the purpose of service one or more employee share purchase plans are out of scope.

² AIFs set up exclusively for the purpose of serving one or more employee share purchase plans, or AIFs which are securitization special purpose entities as defined by Article 2(1) of the Alternative Investment Fund Managers Law of 2013 (Law 56(I)/2013 as amended) are out of scope.

Where the model is based on a pro forma model, the counterparty shall apply to the EBA for the validation of that model and shall provide EBA with all relevant information.

The competent authorities may grant the authorisation only where the pro forma model has been validated by EBA.

2. Articles 28 and 29 of Regulation (EU) 2016/2251 regarding risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (“the Regulation (EU) 2016/2251”) clarify the thresholds for exchange of initial margin.
3. Articles 30 and 31 of Regulation (EU) 2016/2251 clarify the exemptions from the requirements to exchange initial margin.
4. Article 36 of Regulation (EU) 2016/2251 clarifies the entry into force of the obligation to exchange initial margin.

B. Entities in scope of the obligation to request authorisation/validation of their initial margin models

5. The entities required to submit an application for authorisation of their initial margin models (“IM Models”) under Article 11(3) of EMIR are those that exchange initial margins (i.e. their activities exceed both the clearing threshold and threshold for exchanging initial margin) and use an initial margin model to comply with the requirements.

It should be noted that authorisation is required at the legal-entity level. More information on the authorisation process is provided at point 8(i) below.

6. The entities that calculate initial margin using a pro-forma IM model, such as the ISDA SIMM, are also in scope of validation of their IM models by the EBA in accordance with article 11(3) of EMIR in order to be able to continue using that pro forma model.

More information on the validation process is provided at point 8(ii) below.

C. Reporting

7. Regulated Entities using an IM model are reminded that they are required to apply for authorisation to CySEC under the regime introduced by the [no-action letter](#) published on 17 December 2024.

It is noted that Regulated Entities will not be able to apply for validation of their ISDA SIMM models to the EBA in 2026 if they have not applied for authorisation to CySEC.

8. All Regulated Entities captured under the requirements for authorisation/validation of their IM models, are asked to submit to CySEC, **by 16 January 2026**, the following information:

- i. The data set out in the [Annex to the EBA opinion on the application of EMIR with respect to initial margin models](#) with subject “EMIR IMM application for authorisation_LEI of Regulated Entity”.
- ii. The data set out in the template which can be found [here](#) with the file name “EMIR IMM validation_LEI of Regulated Entity.xlsx”. It is noted that the above file name must be repeated in the email subject line.

The above information should be provided to CySEC through the email address emir@cysec.gov.cy.

The data submitted to CySEC under point 8(ii) will be further submitted to the EBA for the purpose of onboarding the Regulated Entities onto the EBA’s ISDA-SIMM Validation system currently under development. The data will be subject to the confidentiality regime applicable to the EBA and may be used by the EBA for the performance of its tasks and duties according to EMIR or the EBA Regulation. More information about the EBA confidentiality regime can be found [here](#).

D. Next steps

9. Regulated Entities are urged to take the necessary action in order to ensure compliance with their EMIR obligations at all times.
10. Regulated Entities that do not submit the information requested under point 8 above will not be allowed to onboard onto the EBA’s ISDA SIMM Validation System. Non-onboarded entities will not be in the position to apply to the EBA for validation of their ISDA-SIMM based internal margin models thereby failing to comply with their obligations under EMIR.
11. EBA’s [no-action letter](#) in relation to the processing of applications for IM model authorisation remains otherwise in force.

Yours sincerely,

Panikkos Vakkou
Vice Chairman
Cyprus Securities and Exchange Commission

cc. Central Bank of Cyprus
Cyprus Stock Exchange