



TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

ADVISORY #: 16-298

SUBJECT: **Revisions to the Concentration Margin Program**

DATE: August 5, 2016

Effective September 6, 2016, CME Clearing will enact revisions to its concentration margin program as detailed below.

To adequately account for risk posed by large and concentrated portfolios, CME Clearing has deemed it appropriate to enhance its current concentration margin program by expanding the tiered structure. Concentration margin tiered add-ons are determined by assessing the calculated stress loss relative to excess adjusted net capital ("Excess ANC"), average historical variation margin payments, and an absolute dollar value threshold. This methodology will not be impacted by the revisions to the program; instead it will be applied across an extended range of tiers.

The current tiered structure is as follows:

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	500M	750M	1B	1.5B	2B	2.5B	3B	4B	5B
Excess ANC	1x	1.5x	2x	2.5x					

The enhancement modifies the current tier charges incurred using the excess ANC threshold. Under the new structure, firms that have met the abovementioned thresholds to be placed on concentration margin will no longer have a concentration charge limited by the excess ANC threshold of 2.5. The ratio, along with the concentration percentage add-on, will increase incrementally per tier, in line with the current structure. The tier charges will reflect the revised table below:

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	500M	750M	1B	1.5B	2B	2.5B	3B	4B	5B
Excess ANC	1x	1.5x	2x	2.5x	3.0x	3.5x	4.0x	4.5x	5.0x



The new tiered structure will become effective in weekly phases:

Effective Date	Tier Number	Percentage Add-on
9/6/2016*	5	30%
9/12/2016	6	35%
9/19/2016	7	40%
9/26/2016	8	45%
10/3/2016	9	50%

**Note: Because 9/5/2016 is a holiday, tier 5 will become effective on 9/6/2016*

Should you have any questions please contact Matt Waldis (matthew.waldis@cmegroup.com; (212) 299-2148).