Ensuring LSOC Compliance at Intraday for Portfolio Margining Accounts
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With one exception, CME does not currently make routine intraday margin calls for settlement accounts for swaps. That exception is variation calls on positions in interest-rate futures being portfolio margined with interest-rate swaps.

For these USD-denominated futures, if the net variation margin amount across the client accounts is a loss, and if this net loss exceeds $500,000, then a variation call will be issued to the firm for the amount of the net loss, rounded down to the nearest $1,000.

In this circumstance, because the firm is making a payment to a Clearing House for customer positions in US cleared swaps, it must ensure it is in LSOC compliance prior to making that payment. To assist firms in that process, CME makes available the **IRSXV-ITD** file. This is a simple CSV-format file providing the needed data.

A typical filename would be **IRSXV_ITD_nnn_ccyymmdd.csv**, where **nnn** is the clearing firm number, and **ccyymmdd** identifies the business date. The file is published to the firm's **Outgoing** directory on the Firm FTP Server, and in additional may also be received via an automated email.

The key point for LSOC compliance: the file is published (and the email transmitted) at about 12:25 to 12:30pm Eastern time, and if the firm has a variation call, the debit instruction to the firm's settlement bank will be issued not less than one hour after the point of publication. In effect, the firm has 60 minutes to ensure that the account is funded and that it will be in LSOC compliance at the point of the debit.

You can determine the total variation on the futures being portfolio margined by filtering on the **Level** column with a value of **B** for breakout and the **Ccy** column with a value of **USD**, and then taking the sum of the values in the **SV_Fut** column. If this sum is negative (a VM loss) and greater than $500K, then the amount to be debited will be that amount, rounded down to the nearest $1,000.

For clients with VM losses, to determine each client's share of that net VM amount to be banked, multiply that net amount by the client's *pro rata* share of the total loss of such clients.

For example, suppose there are five clients:

Client	**SV_Fut**
A	(1,000,000)
B	1,000,000
C	(9,000,000)
D	1,000,000
E	4,000,000

Net across the clients, there is a VM loss of $4M. This is a loss and exceeds $500K. Rounding down to the nearest $1K, the amount to be banked at intraday will be a loss of $4M.

Client A's *pro rata* share of this will be 360K, and client C's *pro rata* share of this amount will be $3.640M. The firm must cover client A's share either with value provided by that client or with value provided by the firm, and analogously for client C.