

Combined Commodities

PC-SPAN 4.D16

Combined Commodities

XML File: C:\TEMP\SPA10.tmp
 Business Date: 08/01/2001 - Settlement - final - -
 Exch. Complex: CME - Chicago Mercantile Exchange

Comb Comm	Name	Group	Curr	Risk Exp	Avail NOV	Process Meth	WPR Meth	Spot Meth	SOM Meth	Combo Meth
02		CME	EUR	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
03		CME	EUR	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
04		CME	EUR	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
05		CME	EUR	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
AB		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
AD		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
AX		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
BD		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
BP		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
BR		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
CB		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
CD		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
DA		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
DB		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
DC		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
DK		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
DM		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
DY		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
EB		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
EC		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
ED		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
EM		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
EY		CME	JPY	1		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
FD		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
FS		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
FB		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
FC		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
FE		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
FR		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE
GI		CME	USD	0		NORMAL	NORMAL	NORMAL	Max of C/P	NONE

Combined Commodities

This report contains a complete listing of Combined Commodities for the given Exchange Complex, along with their various limitations and calculation methods.

Comb Comm: Combined Commodity

The product symbol for the Combined Commodity. The Combined Commodity is the set of all eligible products used to generate a total requirement for each Exchange Complex within a portfolio. A Combined Commodity generally consists of all products of the same underlying physical. For example, at the CME, the Eurodollar combined commodity encompasses Mid-Curve options, Eurodollars and Eurodollar options.

Name: The name of the Combined Commodity

Group: Shows the Exchange Complex under which the Combined Commodity falls.

Cur: Gives the margining currency for each Combined Commodity

Risk Exp.: Risk Exponent

Certain foreign currency denominated products require that the Risk Arrays be raised to a power of ten (the Risk Exponent) to comply with SPAN standard format parameter file. Files in the XML format are not subject to this limitation.

Limits on Avail NOV: Limits on Available Net Option Value

If a Combined Commodity's Available Net Option Value has limits, it cannot be used to offset risk in another Combined Commodity. The standard setting (without limits) allows Available Net Option Value to be used to offset risk from any other Combined Commodity.

Process Meth: The Process Method defines the manner in which Span performs scanning risk for a Combined Commodity.

The two process methods are Normal Risk and Liquidation Risk. Liquidation Risk is an alternative method of scanning risk that incorporates duration for debt securities.

WPR: The Weighted Price Risk Method calculation determines the amount of Intercommodity Spread offsets available, either by per delta or per scan range amount. The WPR Method can be calculated by one of three ways: Normal, Scan Range or Scan Range Cap Method.

- The Normal Method (NORMAL) is calculating the WPR by normal delta-based spreading, where the WPR is equal to the Price Risk/Rounded Net Delta
- In the Scan Range Method (SCANRANGE), the WPR is equal to the Scan Range amount.
- In the Scan Range Cap Method (SCANRANGE_CAP), the WPR is calculated normally, except the Scan Range is capped at the Scan Range amount.

Spot Method: The Spot Method is a method that allows Span to assess a charge that covers the additional risk associated with contracts in the spot month (nearing expiration). The Spot Method is calculated by one of three methods: Normal, Gross or Basis.

- The Normal method is applying a charge to cover the risk of products nearing expiration.
- The Gross method is calculated by aggregating all the delta in a period.
- The Basis method applies an additional charge for two similar products within the same Combined Commodity.

SOM Method: SPAN utilizes a Short Option Minimum charge to cover the risk associated with deep out-of-the-money short options. The Short Option Minimum sets a floor level risk requirement for a short option in every Combined Commodity. For example, if the Short Option Minimum for EC is \$40, then a portfolio that is short 20 EC put options will have a minimum performance bond requirement of \$800.

Span has two methods of calculating the Short Option Minimum.

- Maximum of Calls/Puts - Span takes the sums of all short calls, and then does the same separately for the short puts. The greater of these two numbers is then multiplied by the Short Option Minimum rate to derive a Short Option Minimum.
- Sum of Calls/Puts - Span takes the sum of all the short calls and short puts together and then multiplies the resulting number by the Short Option Minimum Rate to derive a Short Option Minimum.

Combo Method:

Certain contracts are actually a combination of different contracts bundled into one contract. The Combo Method only applies to a Combined Commodity that contains this type of combination contract (or options on them). If a Combined Commodity is not this type of combination contract, then the Combo Method does not apply and is listed as None. The Split Method breaks up combinations by contracts and delta. The Delta Split Method breaks options contracts up by delta.