

TO: Clearing Member Firms; Back Office Managers; Margin Managers;

FROM: CME Clearing

ADVISORY #: 23-374

DATE: 12/18/2023

SUBJECT: Frequently Asked Questions (“FAQ”): Clearing Cycles for CME Clearing

CME Clearing has recently received several queries from market participants regarding its clearing cycles especially as it relates to the timing of option premium for trades executed prior to the intraday clearing cycle. For this reason, CME Clearing is publishing the below FAQ advisory.

- 1. How many clearing cycles does CME Clearing have each day?**

CME Clearing runs two regular clearing cycles daily, intraday and end-of-day, for futures and options whereby the: i) outstanding exposure is settled (e.g., settlement variation) through related funds being collected from and paid to Clearing Members; and ii) performance bond (also known as margin) is collected from Clearing Members. The settlement of the outstanding exposure includes the pass-through (i.e., payment and collection) of the settlement variation (e.g., mark-to-market on futures) and option premium. The daily mark-to-market on options is included in performance bond as net option value (“NOV”) for all equity-style options. Cleared interest rate swaps and FX swaps products only regularly settle during the end-of-day cycle.
- 2. Is settlement variation and option premium paid and collected at both clearing cycles?**

Both settlement variation and option premium are paid and collected as part of both clearing cycles.
- 3. What time is the position “snapshot” that is used for the intraday clearing cycle?**

Settlements for the intraday clearing cycle are based on start of day exposure and traded price of new trades ahead of the intraday snapshot.¹ Currently, CME Clearing takes a snapshot of each Clearing Member’s positions for both their customer and house accounts at approximately 10:45 AM Chicago time for the intraday clearing cycle.
- 4. Does CME Clearing collect margin on same day expiring options or options traded and expiring the same day?**

For options executed prior to the intraday snapshot, CME Clearing collects margin and as mentioned above, option premium is paid and collected at the intraday cycle.
- 5. What is the timeline for each clearing cycle?**

Settlement banks confirm debits and credits between CME and Clearing Members for the intraday clearing cycle within approximately one hour of the cycle’s completion, which is approximately 1:30 PM Chicago time. Settlement banks confirm debits from Clearing Member accounts for credit to CME Clearing’s accounts for the prior day’s end-of-day clearing cycle by 7:30 AM and credits by 8:30 AM Chicago time.
- 6. Does CME Clearing pay interest on U.S. dollar cash held with CME Clearing?**

¹ Theoretical prices may be used during the intraday cycle in some cases where traded prices are unavailable.

Currently, CME Clearing pays Clearing Members overnight interest on cash that is held on deposit with CME Clearing to meet performance bond and guaranty fund requirements as of 5:00 PM Chicago time. Interest is accrued daily and paid monthly, the first week of the following month. The amount of interest paid by CME Clearing can be found at the following [link](#).

7. Does CME Clearing pay overnight interest on option premium collected prior to the intraday clearing cycle snapshot?

For option premium that is collected during the intraday clearing cycle and held at CME Clearing overnight, CME Clearing pays interest to Clearing Members on the cash held as part of performance bond requirements. If the cash is withdrawn prior to 5:00 PM Chicago time, then CME Clearing does not pay interest.

8. Does CME Clearing pay overnight interest on option premium related to trading activity executed after the intraday clearing cycle snapshot?

Settlement amounts (including option premium) for trading activity executed after the intraday clearing cycle are calculated as a part of the end-of-day clearing cycle which settles the following business day as mentioned above. Therefore, the interest would be calculated beginning on the business day that the funds are received by CME.

9. As a client, does my Clearing Member (clearing broker/futures commission merchant) follow the same clearing cycle timelines as CME Clearing?

Clearing Members are required to meet CME Clearing's clearing cycle timelines. Clearing Members determine the timing of pays and collects with their clients consistent with CME Group Exchange Rules and CFTC regulations.

10. Does CME Clearing have the right to run ad-hoc clearing cycles outside of the two regular clearing cycles?

Yes, CME Clearing reserves the right to run ad-hoc clearing cycles as necessary.

Please contact our Clearing Post Trade Services Team with any questions.

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