

 **CME Group** | Advisory Notice

TO: Clearing Member Firms; Back Office Managers; Margin Managers; CME CORE Users; PC SPAN Users; Bookkeeping Software Providers

FROM: CME Clearing

ADVISORY #: 24-134

DATE: May 14<sup>th</sup> 2024

SUBJECT: SPAN 2 Framework Energy Model Parameter Changes

As per normal review, CME Clearing has undertaken a review of the hypothetical stressed scenarios parameter used in the SPAN 2 framework's natural gas pod.<sup>1</sup> In particular, within the SPAN 2 framework, the hypothetical stressed scenarios parameter is incorporated in the stress value-at-risk sub-component of the market risk component. Following this review, CME Clearing has determined it will introduce hypothetical stressed scenarios parameter changes to align with current volatility across the term structure for natural gas. While the impact to production portfolios will vary depending upon the risk profile for each individual portfolio, CME Clearing expects a decrease in margin requirements for outright natural gas contracts and the total margin for futures and options products to decrease by under 1%.

The associated changes will be effective after the close of business on:

**May 15<sup>th</sup>, 2024.**

Additional details regarding the SPAN 2 framework can be found here:

<https://www.cmegroup.com/clearing/risk-management/span-overview/span-2-methodology.html?redirect=/span2>

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

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<sup>1</sup> Note, a pod is a group of associated products under the SPAN or SPAN 2 methodology. The products included in the SPAN 2 methodology's pods are available here: <https://www.cmegroup.com/clearing/files/list-of-cross-model-offset-products.xlsx>.