CME-FICC Cross Margining: House Accounts

Onboarding and Workflow Guide

2026

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Background

- CME Group and the DTCC-Fixed Income Clearing Corporation (FICC) have had a longstanding arrangement for 20+ years to provide cross-margin benefits to house accounts of common and affiliated clearing members at both CCPs
- The purpose of this document is to provide a step-by-step outline **for house accounts** that would like to utilize this cross margin program, including the following items:
  - ➢ Legal requirements and account setups
  - ➢ Program workflows
  - ➢ Savings examples
  - ➢ Margin reporting; and
  - ➢ Testing resources
- A separate presentation is available here with details related to this program's workflows for customer accounts of common clearing member firms

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Legal Requirements, Account Setup, and Product Eligibility

- House accounts interested in participating in CME-FICC Cross Margining will be required to sign tri-party documentation with CME and FICC:
  - This program underwent significant enhancements in early 2024; any legacy participants in the previous program are required to sign new documentation in order to onboard
  - Firms can kick off this process by reaching out to their FICC representative(s). FICC will assist in identifying authorized signatories for your firm to help proceed with this process
  - At CME, we are happy to align to authorized FICC signatories, in order to do so we will require additional documentation showing that your signatory is authorized to sign legal documentation on behalf of the firm; this can be accomplished through a “Secretary Certificate” (template available) or other similar existing internal signing authority documents
- Account Setup Requirements:
  - **FICC:** no additional setup required
  - **CME:** firms will be required to set up a cross-margin account (“CME XM account”) for the purpose of this program (see ensuing workflow slides for more detail). CME Clearing is available to assist in this process.
- The following products are defined as eligible/ineligible for the CME-FICC Cross Margin program:
  - **FICC:**
    - **Eligible:** Open transactions in US Treasury Securities and W-I’s (including (i) cash and (ii) repurchase or reverse repo transactions collateralized by US Treasury Securities) with a time to maturity of greater than 1Y
    - **Ineligible:** Open cash market transactions in MBS, TIPS, and US Treasury Securities that are less than 1Y from maturity
  - **CME:**
    - **Eligible:** Treasury Futures (2Y, 3Y, 5Y, 10Y, Ultra 10Y, 20Y, T-Bond, and Ultra T-Bond), SOFR (SR3 and SR1), and Fed Funds Futures
    - **Ineligible:** any CME Group products not listed above as eligible
    - Note, SOFR and Fed Fund Futures have regulatory approval to be included in cross-margining; however, these products are not currently supported from an operational standpoint in the program

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Program Objective

For the purposes of CME-FICC cross margining, the existing FICC portfolio will be divided into two pieces based on the definition of eligible products:

- Any eligible products at FICC will be defined as “allocated” for the purposes of explaining this program’s workflows
- Note, in the event the account is configured to net prior to positions being shared with CME, the definition of allocated would be subject to FICC’s netting algorithm

Based on the FICC allocated position set, CME’s Hosted Optimizer will solve for the most optimal set of CME eligible futures positions to offset the FICC allocated positions:

- We will define the identified, offsetting CME positions as the “allocated” futures positions for the purposes of explaining this program’s workflows

Ultimately, the Hosted Optimizer will be solving for the greatest margin savings achievable when accounting for combinations of offsets between:

- Allocated and unallocated positions at FICC
- Allocated positions at FICC and allocated futures positions at CME
- Allocated and unallocated futures positions at CME

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Program Workflows

1. **FICC separates the existing house account's securities portfolio into two distinct pieces:**
    - **No action is required here from firms; the distinction between portfolios is achieved by the definition of eligible positions** (as opposed to the creation of a separate account)
    - FICC will automatically send CME this set of allocated positions. These positions will be fed directly into CME's hosted optimizer as a cross-margin input:
        - This file will automatically be sent to CME on an hourly basis and will be published to clearing member SFTP folders

2. **CME runs its optimization process with actions required from the house account's clearing arm:**
    - **The clearing member** will feed a futures position file specific to the house entity being optimized. The format of this file will be akin to that used for swaps-futures Portfolio Margining. If applicable, this position file will be input following the swaps-futures optimization process
    - **The hosted optimizer will recommend a series of futures position transfers** to be approved by the clearing member in order to achieve the most optimal margin requirement at CME and FICC
    - **The clearing member** will approve the recommended transfers, triggering the transfer of futures positions into the CME XM designated account
    - **CME** will disclose to FICC the allocated futures positions held in the CME XM account

3. **CME and FICC calculate and call for updated margin requirements:**
    - Both CCPs will independently calculate the margin requirement on the combined portfolio, inclusive of the FICC and CME allocated positions
    - The more conservative (higher) margin requirement as calculated by CME or FICC is what will ultimately be called across the FICC and CME allocated positions
    - The CME XM performance bond account (PBA) will have a margin requirement that is separate from the main house account's PBA
    - **New margin reporting** will be available for the CME XM account, showing the corresponding requirement after cross margin savings have been applied to the allocated positions in the CME XM account (see slide 8 for report details)
    - For accounts involved in both Portfolio Margining and CME-FICC, there will effectively be three margin calls to meet at CME:
        1. OTC account: Obtained from CME reporting (capturing any futures positions moved to the OTC account)
        2. CME XM account: Obtained from CME reporting (see slide 8; capturing any futures positions moved to the CME XM account)
        3. Residual futures positions not moved to OTC or CME XM account: **onus remains on the clearing firm to calculate this requirement**

Please note, the above process is explained from a conceptual standpoint. For technical specifications related to the CME-FICC optimization process, please see the information available here

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Savings Example 1: Savings Achieved

Portfolio is directional at CME and has partially offsetting risk in FICC products

Based on the FICC allocated positions, the Hosted Optimizer recommends allocating a portion of the short futures risk to the CME XM account. CME and FICC both calculate margin reduction in excess of 80% on the combined portfolio, resulting in a 80% reduction towards the allocated positions at each CCP:

Delta Ladder Maturity Bucket	CME Allocated Futures DV01*	CME Unallocated Futures DV01*	Allocated FICC DV01**	Unallocated FICC DV01**
0-1 Year	-	-	-	-
1-5 Years	-2,000,000	-1,000,000	2,000,000	-1,000,000
5-10 Years	-	-	-	-
10-20 Years	-2,000,000	-1,000,000	2,000,000	-1,000,000
20+ Years	-	-	-	-

CME Pre-XM IM*:	$151,140,000
CME Allocated IM:**	$110,836,000
CME Unallocated IM:	$50,380,000

FICC Pre-XM IM*:**	$86,142,000
FICC Allocated IM:	$123,060,000
FICC Unallocated IM:	$61,530,000

Pre-XM IM Requirements	CME Pre-XM IM*	$151,140,000
	FICC Pre-XM IM***	$86,142,000
	Total Pre-XM IM	**$237,282,000**

Post-XM IM Requirements (assumes CME allocates $2M of short risk in each maturity bucket to the XM program)	Combined Portfolio IM	$46,779,200
	CME Unallocated IM	$50,380,000
	FICC Unallocated IM	$61,530,000
	Total Post-XM IM	**$158,689,200**

Post-XM Dollar Savings	Total Pre-XM IM	$237,282,000
	Total Post-XM IM	$158,689,200
	Total IM Savings	***$78,592,800***

*CME Pre-XM margin methodology reflective of 1D SPAN MPOR
**CME XM Allocated Positions margined at multipier of 1.1x to align with FICC margin period of risk (MPOR)
***FICC margin methodology reflective of FICC 3D MPOR

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Savings Example 2: “Do No Harm” is Applied

Offsetting risk within FICC generates higher offsets as compared to the CME and FICC allocated positions

Given this portfolio does not result in IM savings, no positions are allocated to the CME-FICC cross-margin account. Note, **this example is for illustrative purposes only** – in practice, the do-no-harm check would set in, and the Hosted Optimizer would not recommend the CME futures positions be allocated to the cross-margin account

Delta Ladder Maturity Bucket	CME Allocated Futures DV01*	CME Unallocated Futures DV01*	Allocated FICC DV01**	Unallocated FICC DV01**
0-1 Year	-	-	-	-
1-5 Years	3,000,000	-	-4,000,000	4,000,000
5-10 Years	-	-	-	-
10-20 Years	3,000,000	-	-4,000,000	4,000,000
20+ Years	-	-	-	-

CME Pre-XM IM*:	$151,140,000
CME Allocated IM:**	$166,254,000
CME Unallocated IM:	-

FICC Pre-XM IM*:**	$98,448,000
FICC Allocated IM:	$246,120,000
FICC Unallocated IM:	$246,120,000

Pre-XM IM Requirements	CME Pre-XM IM*	$151,140,000
	FICC Pre-XM IM***	$98,448,000
	Total Pre-XM IM	**$249,588,000**
Post-XM IM Requirements (assumes CME tries to allocate $3M of long risk in each maturity bucket to the XM program)	Combined Portfolio IM	$82,474,800
	CME Unallocated IM	-
	FICC Unallocated IM	$246,120,000
	Total Post-XM IM	**$328,594,800**
Post-XM Dollar Savings	Total Pre-XM IM	$249,588,000
	Total Post-XM IM	$328,594,800
	Total IM Savings*	***-$79,006,800***

CME Pre-XM margin methodology reflective of 1D SPAN MPOR
***CME XM Allocated Positions margined at multipier of 1.1x to align with FICC margin period of risk (MPOR)*
****FICC margin methodology reflective of FICC 3D MPOR*
*****In the event that the Total IM Savings are below $0, the CME-FICC program will not run (“do-no-harm” check)*

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CME Margin Reporting

- CME will calculate and report the initial margin (IM) that's called for on the CME XM account
- This **CME-FICC XM Margin Savings Report** will be dropped daily to FCM SFTP folders at approximately 1:30p (ITD) and 10:30p ET (EOD)
- Complete and updated specifications for this report will become available here
- Below is a summary of the key fields that CME will make available:

BusDate	Business date of report stated as mm/dd/yyyy
PBA_XM	Cross-margin (CME XM) performance bond account ID
PBA_Main	Main house account performance bond account ID
FICC_ID	DTCC participant ID
Risk_CME_Allocated	IM requirement of futures positions in the CME XM account prior to cross margining
Savings_Pct_Applied	Savings percentage applied to the IM requirement of the futures positions in the CME XM account (more conservative percentage as calculated by CME or FICC)
Risk_CME_Allocated_w_Savings	IM requirement of futures positions in the CME XM account with cross-margining applied
Risk_CME_Final	Total IM requirement of futures positions in the main house account and CME XM accounts (accounting for cross margin savings in the CME XM account)
Savings_CME_Final	IM savings achieved and applied to the futures positions in the CME XM account, stated in dollars

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Testing - Resources & Timelines

- **Functional Testing Available Today:** integrate with and perform functional testing of the Margin API CME-FICC program optimization workflow in CME's user testing (UT) environment:
  - Testable portfolios include CME Futures vs. FICC, and CME IRS vs. Futures/Options vs. FICC
  - UT environment has ability to be loaded with dummy accounts and positions
  - **Expected use case:** technology teams integrating with CME's Margin API service
- **Coming Soon:** ability to perform margin savings validations by testing the Margin API CME-FICC program optimization workflow in the production environment:
  - Testable portfolios include CME Futures vs. FICC, and CME Swaps vs. Futures/Options vs. FICC
  - Contains production Swap and FICC account data, and is intended for savings figure validations. Futures and Options positional data will need to be provided by firms. Configurations prevent users from submitting transfers in real time.
  - **Expected use case:** business teams reviewing expected margin savings for an underlying portfolio
  - **ETA:** late Q1-2026

Please reach out to posttradeservices@cmegroup.com for testing-related assistance or CME CORE access

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Contact Information

For any questions or inquiries related to the CME-FICC cross-margin program for house accounts, please feel free to contact a member of the team at CME Group by reaching out to *CMEFICCCrossMargin@cmegroup.com*

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