

TO: Clearing Member Firms
 Chief Financial Officers
 Back Office Managers

FROM: CME Clearing

ADVISORY #: 17-053

SUBJECT: **Revisions to the Concentration Margin Program**

DATE: February 3, 2017

Effective at the end-of-day settlement cycle on February 6, 2017, CME Clearing will enact revisions to its concentration margin program as detailed below.

To enhance the stability of concentration margin charges, CME Clearing has deemed it appropriate to enhance the current program to apply an Adjusted Net Capital ("ANC") threshold rather than an Excess ANC¹ threshold. Concentration margin tiered add-ons are presently determined by assessing the calculated stress loss relative to Excess ANC, average historical variation margin payments, and an absolute dollar value threshold. There will be a negligible impact on the amount of concentration margin on deposit as a result of this change.

The current tiered structure is as follows:

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	500M	750M	1B	1.5B	2B	2.5B	3B	4B	5B
Excess ANC	1x	1.5x	2x	2.5x	3.0x	3.5x	4.0x	4.5x	5.0x

Following the enhancement to the current program, stress loss will be measured against an ANC threshold, rather than an Excess ANC threshold, when determining the tier used to calculate a clearing member's concentration margin requirement.

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	500M	750M	1B	1.5B	2B	2.5B	3B	4B	5B
ANC	1x	1.5x	2x	2.5x	3.0x	3.5x	4.0x	4.5x	5.0x

¹ Excess ANC is the amount above a given clearing member's total minimum capital requirement, whereas ANC is the total amount of capital held by the clearing member. The minimum capital requirement is derived using the greater of the capital required under CFTC Regulation 1.17 or in Rule 970.A of the CME Rulebook.

This modification has no impact on any other aspect of the concentration margin program. The current logic, where the high pay threshold must be met to be subject to a charge and the greater of the absolute or ANC thresholds being used to determine the tier applied, will be maintained.

Should you have any questions, please contact Jake Sandkamp (jake.sandkamp@cmegroup.com; (312) 338-7164) or Matt Waldis (matthew.waldis@cmegroup.com; (212) 299-2148).