

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 17-065

SUBJECT: **Portfolio Margining for Palm Oil Futures versus Palm Oil Swaps**

DATE: February 13, 2017

On Monday, February 6, 2017, CME Clearing began allowing portfolio margining of offsetting customer positions in commodity futures with highly correlated commodity swaps. For more information, please see Clearing Advisory 16-545 at:

<http://www.cmegroup.com/notices/clearing/2016/12/Chadv16-545.pdf>

The initial set of eligible products are:

- USD Malaysian Palm Oil Calendar Swaps (product code **CPC**) versus USD Malaysian Palm Oil Calendar Futures (product code **CPO**)
- USD Malaysian Palm Olein Calendar Swaps (product code **OPS**) versus USD Malaysian Palm Olein Calendar Futures (product code **OPF**)

Clearing firms may elect to offer this portfolio margining if they have customers with offsetting positions in the specified commodity futures and swaps.

The process is analogous to that for customer portfolio margining of interest-rate futures with interest-rate swaps. Firms will move the palm oil and/or palm olein futures positions of participating customers into the client-specific position accounts that hold the commodity swaps positions. Once this is done, the margin offsets will be automatically recognized in SPAN. Note that once moved, the affected futures will be subject to LSOC.

There are several different ways in which the palm oil and/or palm olein futures positions may be moved over to the swaps side. So if your firm is considering offering these offsets to your customers, please contact CME Clearing at 312-207-2525 to work through the details. Thank you.