

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers
Margin Managers

FROM: CME Clearing

ADVISORY #: 18-229

DATE: June 5, 2018

SUBJECT: OTC MXN IRS Event Risk Margin Change

In anticipation of possible market moves specific to the Mexican Election on July 1st, 2018, CME Clearing will be increasing the volatility floor used for computation of margins for MXN IRS. The volatility floor increase for MXN IRS will be gradually implemented in three phases during the end of day settlement cycles on Thursday June 7th, 14th, and 21st.

CME analyzed targeted tail scenarios in the MXN IRS portfolio and the impact to margins. The analysis incorporated tail scenarios into the margin methodology with increased probability relative to generic risk scenarios, which suggested an increase of volatility floor for MXN IRS higher than its 40%-50% target range. This is a temporary measure and is subject to review depending on market conditions.

If you have questions, please contact the CME Client Services Team at onboarding@cmegroup.com or 312.338.7712.

Regards,

CME Clearing